



Daily Report

China

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FBIS-CHI-95-198

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General

U.S. Relationships in Korean Peninsula Assessed

HK2909011595 Beijing LIAOWANG in Chinese
14 Aug 95 No 33, pp 44-45

["Special dispatch" from Seoul by special correspondent Zhang Zhongyi (1728 1813 5030): "Development of Situation on Korean Peninsula 'Designed' by the United States and the Republic of Korea"]

[FBIS Translated Text] Toward the end of July this year, the Republic of Korea [ROK] president Kim Yong-sam visited the United States at the invitation of U.S. President Clinton. In name, he was attending the unveiling in Washington of a monument to the U.S. Army's participation in the Korean war, in a gesture to reiterate "the blood-sealed relationship established over the past half century" between the two countries. But as far as what really went on during his visit is concerned, a more important purpose was for the ROK and the United States to sort out and spell out the ROK-U.S.-DPRK trilateral relationship for both the present and the future; this visit served as an important link in that process.

Since the issue regarding the DPRK's nuclear capability was raised, the difference of attitude between the ROK and the United States toward such issues as DPRK-U.S. talks, light-water reactors, and the improvement of DPRK-U.S. relations has been exposed many times. Using the nuclear issue as a point of breakthrough, the DPRK requested direct dialogue with the United States, while in consideration of the expansion of its influence on the Korean peninsula and even the whole of Northeast Asia, as well as under the pressure of domestic political demands, the United States adopted a policy of mollification and began a dialogue with the DPRK. The two sides reached a framework agreement on the nuclear issue in Geneva in October 1994 and agreed to set up representative offices in each other's capitals. In June this year, the two sides reached another agreement in Kuala Lumpur on light-water reactors. The United States obtained the promise from the DPRK that the latter would freeze its nuclear development plan, while the DPRK was offered the aid of two light-water reactors and U.S.-funded heavy oil. Initial improvement of the DPRK-U.S. relations was achieved.

During this process, the ROK was obviously left out in the cold. Moreover, what formed a striking contrast with DPRK-U.S. relations was that the south-north dialogue on the Korean peninsula has never been resumed since the death of DPRK President Kim Il-song in July 1994. The ROK had hoped that the south-north dialogue could be picked up again through the U.S.-DPRK consultations on the nuclear issue. But it did not happen.

Some media personalities and politicians in the ROK have complained that the United States rushed into agreements with the DPRK only in its own interests and gave the latter too many concessions. They worry that the United States will ignore the south-north relations on the peninsula and move too fast in improving U.S.-DPRK relations.

After the DPRK and the United States reached an agreement on light-water reactors in Kuala Lumpur, the resolution of the nuclear issue entered an important stage. In the meantime, as far as the Korean peninsula itself is concerned, this year marks the 50th anniversary of the recovery of the peninsula from Japanese occupation. The ROK Government wants to leave its signature on the reunification process of the peninsula in this historically significant year, while in North Korea, now that President Kim Il-song has been dead for a year, a new leadership system is getting closer and closer to emerging. Therefore, Kim Yong-sam's U.S. visit, apart from trying to cement the ROK's relationship of alliance with the United States developed over a long period of time, was, for the most big part, to "design" developments on the Korean peninsula in the next stage.

Through their talks, Kim Yong-sam was given the promise by Clinton that "the improvement of U.S.-DPRK relations will go along with the improvement of south-north relations." The two sides also agreed that, in order to strengthen their cooperation on the DPRK issue and establish a common strategy, the two countries will set up a high-level policy consultation procedure to coordinate measures and promote the "phased opening up" of the DPRK in a joint effort. On the issue of the shift from the armistice system to the peace system, Clinton reiterated the attitude that "it should be resolved through dialogue between the parties involved from the south and the north." He also made it clear that before a new security system is established, the current armistice system remains "100 percent effective." On the security issue concerning the Korean peninsula, Clinton said: "Provided that the ROK citizens are happy, the U.S. Armed Forces shall continue to be stationed in the ROK." The two sides also agreed to strengthen multilateral dialogue on security, mainly the ROK-U.S. security system.

In an interview with the U.S. Cable News Network [CNN], Kim Yong-sam said that on 15 August, the 50th anniversary of the recovery of the Korean peninsula, the ROK Government will announce an important proposal. It is speculated that the proposal will be about the south-north talks and the signing of a peace treaty between the south and the north and that an understanding has been obtained from the United States for this proposal.

It goes without saying that Kim Yong-sam's U.S. visit did play a "positive role" in mending the rift between the two countries on the DPRK issue and clearing up their misunderstanding. Both sides believed that the "true partnership and blood-sealed relationship" between the two countries has strengthened the coordination between the two sides in their policies and attitudes toward North Korea and will have an impact on the development of ROK-U.S.-DPRK trilateral relations.

On the issue of turning the existing armistice system into a peace system, no change has been observed in the stand of the DPRK, which insists on signing a peace treaty directly with the United States, rather than the "2 + X" proposal suggested by the south, which is to be signed directly by the south and the north of the peninsula and whose subsequent execution is to be supervised by the United States, or the United States and China, or those two countries plus other neighboring countries such as Japan and Russia. The signing of a peace treaty has been considered as another turning point in the further improvement of DPRK-U.S. relations. Because the ROK did not sign the armistice agreement, the DPRK has refused to contend with the ROK. The ROK, the United States, and the DPRK are obviously divided in their stand. Therefore, the signing of a peace treaty will become another focal topic on the Korean peninsula after the nuclear issue. But because this issue not only concerns the south and the north, but also has complicated implications for neighboring countries, it will be even harder to resolve.

The United States is at the core of the ROK's diplomacy. Some frictions on a handful of issues between the two will not affect the framework of their basic relationship. Now and in the past, the United States has been the economic, diplomatic, and security backing for the ROK. Looking ahead, the ROK, seeking to expand its influence in the region and in the world, will continue to see the United States as its protective umbrella and prop. On the other hand, the United States will not give up the Korean peninsula in consideration of its interests and strategies in Asia. Furthermore, as it gets closer to the DPRK, the United States is looking forward to having a stronger and stronger voice and influence on the strategically important Korean peninsula.

Spokesman Discusses Ties With U.S., UK

OW2809141595 Beijing ZHONGGUO XINWEN SHE
in English 1258 GMT 28 Sep 95

[FBIS Transcribed Text] Beijing, September 28 (CNS) — Chen Jian from the Ministry of Foreign Affairs said that the meeting between the foreign ministers of China and the U.S. to be held in New York was key to the Sino-US relations. It is believed that this meeting

will enhance mutual understanding and improve Sino-American relations.

Chen also disclosed that a summit between top leaders of China and the U.S. was being arranged through diplomatic channels. Such summit would surely promote the development of the Sino-American relationship.

Chen Jian said that China places great importance on the "one China" promise of the U.S. made at the meeting in Brunei. The U.S. Government should strictly comply with the principles of the three Sino-American joint communique and act due to its promise.

On Sino-British relations, Chen Jian said that Foreign Minister Qian Qichen would visit Britain soon and exchange views with the British on bilateral relations and the issue of Hong Kong. China hopes that this meeting will help to improve Sino-British relations, particularly as regards the mutual cooperation on Hong Kong issue.

Li Peng Meets PECC Delegates, Views Economy

OW2909115695 Beijing XINHUA Domestic Service
in Chinese 0937 GMT 29 Sep 95

[By reporters Lu Jing (4151 0513) and Zou Chunyi (6760 2504 5030)]

[FBIS Translated Text] Beijing, 29 Sep (XINHUA) — State Council Premier Li Peng said here today that the just concluded Fifth Plenary Session of the 14th CPC Central Committee is an important meeting of trans-century significance.

Li Peng made the remark at a meeting with some foreign government senior officials, famous scholars, and entrepreneurs attending the 11th general meeting of the Pacific Economic Cooperation Council (PECC) in Beijing.

At the meeting, Li Peng first briefed the visitors about the plenary session. He said: The CPC Central Committee's proposal concerning the Ninth Five-Year Plan and the long-term target for the year 2010, adopted by the plenary session, is the program guiding future work in China, as well as the primary basis for foreign friends to understand China. The document gives an explicit exposition on China's development goal and road of development, as well as issues concerning focuses of government administration. Li Peng said: The task of quadrupling the gross national product (GNP), set 15 years ago, is expected to be accomplished this year, ahead of schedule. On the basis of this accomplishment, we have put forth a new goal and task, that is, by the year 2000, the GNP per capita will quadruple the figure in 1980. The session has reiterated

that China will continue to implement the policies which have proven effective over the years, will stick to the road of building socialism with Chinese characteristics, will establish a socialist market economic structure, and will further reform and open up wider. We will continue to appropriately handle the relationship between reform, development, and stability, always adhering to the basic principle of making reform and seeking development under a stable condition.

Li Peng said: In the next few years, China will complete two changes. One is the change of the economic system from the traditional planned economy to a socialist market economy and the other is the change of the economic growth mode from extensive to intensive. We will emphasize not only quantity, but, even more, quality; not only speed, but, even more, efficiency.

He said: That China has a population of 1.2 billion is our basic national condition. In the course of development, we will be confronted with a number of special problems, areas in which we should pay particular attention. We will adopt all measures to develop agricultural production. We are confident in our capability to rely on ourselves to solve the problem of food and clothing for the Chinese people. We will also give priority to raising the efficiency of large and medium-sized state-owned enterprises.

Li Peng predicted: The Chinese economy will see bigger development in the future because China is still a developing country with a huge demand for consumption and investment, and especially because China has found a course for development that suits its national condition. Through efforts over the years, we have established a relatively complete industrial system and laid a fairly good foundation for agriculture.

He said: The Chinese economy is still in a transitional period and market development is still not perfect and up to the standard yet. These problems will be gradually improved and solved in the course of development.

He said: China welcomes foreign enterprises to invest in the country. We want to attract foreign investment, not just with preferential policies, but with a favorable investment environment that China's political stability and vigorous economic growth can provide, plus other advantages such as a vast market and relatively cheap labor.

At the meeting, Li Peng extended greetings on the convening of the 11th PECC general meeting in Beijing. He said: In the past 15 years since its founding, the PECC has fully displayed its unique nature as an organization participated in by government, industrial, and commercial circles, as well as scholars. It has

played a positive role in promoting opening up and economic and trade exchange and cooperation in the Pacific region. To achieve the goals in these areas, the Beijing meeting has put forth a number of proposals that merit keen attention and can be used for reference. Many of the PECC members are developing countries, and special concern and assistance should be given to their tasks and difficulties. China, as a member of the Asia-Pacific region, is willing to play its role in promoting regional economic development and cooperation.

More than 50 foreign visitors, including Peruvian Vice President Ricardo Marcos Florencia and Russian Deputy Prime Minister Oleg Davydov, attended the meeting. The Peruvian vice president expressed appreciation for the work China had done to successfully convene the meeting. He emphasized that China's notable economic achievements have made the country an important force in the economic development of the Asia-Pacific region and the world as a whole.

The three-day PECC general meeting closed in Beijing today.

Trade Minister Wu Yi Leaves for Israel, Europe

OW2509144995 Beijing XINHUA in English
1234 GMT 25 Sep 95

[FBIS Transcribed Text] Beijing, September 25 (XINHUA) — China's Foreign Economic Relations and Trade Minister Wu Yi left here today for a visit to Israel, Belgium, and the Netherlands.

According to a ministry official, Wu is heading a delegation of government officials and entrepreneurs, and will attend the Meeting of the China-European Union Joint Economic and Trade Committee and the Sino-Dutch Investment Meeting in Brussels and Amsterdam, where she will chair those meetings with her Belgian and Dutch counterparts, to explore the possibility of expanding bilateral economic and trade cooperation.

During the one-week stay in Israel, the official said, more than 20 entrepreneurs in the delegation, representing 17 firms in agriculture, petrochemicals, coal, transport, electronics, diamonds, telecommunications, textiles, and medicine, will seek opportunities for cooperation.

The official noted that since the establishment of Sino-Israeli diplomatic ties in January 1992, bilateral economic and trade relations have developed rapidly. Trade volume reached 240 million US dollars last year, and it topped 140 million US dollars in the first six months this year, up 60 percent from the same period last year.

At present, about a dozen of Israel's biggest companies have opened offices in China and started a number of joint ventures with Chinese partners.

In addition, more than 140 entrepreneurs and government officials will join Minister Wu Yi during her stay in Brussels of Belgium and Amsterdam of the Netherlands to discuss investment with local entrepreneurs on more than 600 projects that need foreign financing.

Northeast Asia

More on Qian on Ties to Japan, Nuclear Issue

OW2809012895 Beijing XINHUA Domestic Service in Chinese 1613 GMT 27 Sep 95

[By reporters Fan Songjiu (5400 7313 009) and Li Jianxiong (2621 0256 7160)]

[FBIS Translated Text] New York, 26 Sep (XINHUA) — At a 26 September meeting in New York with Yohei Kono, Japanese deputy prime minister and foreign affairs minister, Qian Qichen, vice premier and foreign affairs minister, said that certain problems that cannot be neglected have appeared this year in the otherwise generally good relations between China and Japan. He expressed the hope that Sino-Japanese relations can develop in a healthy and steady manner.

Qian Qichen said: The Chinese Government always cares for [guan xin 7070 1800] and attaches importance to developing long-term and steady good-neighborly relations and friendly cooperation with Japan, and regards this as an important part of China's diplomatic policy. The Chinese side hopes that the two countries' relations will proceed in a healthy and steady manner on the basis of the principles prescribed in the Sino-Japanese joint declaration and the Sino-Japanese treaty of peace and friendship. This is in the common interests of the Chinese and Japanese peoples, and it is also in the interest of safeguarding peace and stability in this region and the world at large.

Qian Qichen said: On the issue of nuclear tests, China is the only country that has clearly committed not to using, or threatening to use, nuclear weapons against nonnuclear countries and regions; and the only country proposing that nuclear countries should commit themselves not to use nuclear weapons against each other and conclude a relevant convention; as well as the only country having committed to not be the first to use nuclear weapons at any time and under any circumstances. China's stand conforms to the interests of the vast number of nonnuclear countries, including Japan.

Yohei Kono said: Japan-China relations are one of the most important issues of Japan's foreign policy. The Japan-China joint declaration is the foundation of the

two countries' relations. The Murayama government will loyally develop the two countries' relations on this foundation laid by the two countries' older generations in the hope that the friendship between the two peoples will last generation after generation. In light of this general principle, Japan always cooperatively supports China's reform and opening up policy, and will never waver on this stand. Japan will continue to strengthen political dialogue and economic cooperation with China so that the existing problems can be resolved properly.

During the meeting, the two foreign ministers also exchanged views on Sino-Japanese economic cooperation, the unofficial summit of the Asia-Pacific Economic Cooperation, and the conclusion of a comprehensive nuclear test ban treaty.

Jiang Zemin Meets Japanese Nongovernmental Delegation

OW2909082495 Beijing XINHUA in English 0807 GMT 29 Sep 95

[FBIS Transcribed Text] Beijing, September 29 (XINHUA) — Chinese President Jiang Zemin today urged Japanese non-governmental organizations [NGO's] to carry forward their fine traditions and try their best to curb the growth of wrong tendencies in order to develop Sino-Japanese ties in a healthy way.

During a meeting with a delegation from the Japan-China Association for Cultural Exchanges, led by the famous composer, Dan Ikuma, Jiang spoke highly of the important contributions that the association has made in friendship and cultural exchanges over the past several years.

He noted that since China and Japan normalized their relations in 1972, such relations on the whole have been good, but, he added, there are still negative factors and disruptions. There are certainly a handful of people in Japan who are unwilling to recognize the history of aggression.

They have made remarks repeatedly, confusing the nature of the war and prettifying aggression, not only hurting the feelings of the Chinese people, but also affecting Japan's image.

Jiang said he appreciates the clear stand the Japan-China Association for Cultural Exchanges has taken on this issue.

Ikuma extended his congratulations to the recent Fifth Plenary Session of the 14th Central Committee of the Communist Party of China, and said he is very pleased to visit China at a time when the two countries are celebrating the 23rd anniversary of the normalization of

relations and when China's National Day is approaching.

He said that the association will, as always, take a correct stance on the unfortunate history of Japan, learning from past lessons so as to actively conduct cultural exchanges with China and build lasting peace between the two countries.

Li Guixian Meets Japanese Rice Expert

*OW2909100895 Beijing XINHUA in English
0943 GMT 29 Sep 95*

[FBIS Transcribed Text] Beijing, September 29 (XINHUA) — State Councillor Li Guixian met here today with renowned Japanese rice expert Hara Shoichi and thanked him for his contributions to China's rice production.

Shoichi is one of the pioneers in exploring new rice cultivation methods. Since 1982, he has visited China 28 times to help spread the new methods in 25 provinces and autonomous regions.

The 78-year-old expert was highly praised by leaders of both China and Japan.

Tian Jiyun Meets With Japanese Buddhist Monk

*OW2909101795 Beijing XINHUA in English
0934 GMT 29 Sep 95*

[FBIS Transcribed Text] Beijing, September 29 (XINHUA) — Tian Jiyun, vice-chairman of the Chinese National People's Congress (NPC) Standing Committee, met with Japanese Buddhist Monk Yasutaka Kojima here this afternoon.

Yasutaka, also a businessman, came to China to make his 7th investigation trip to the ruins of Niya, a city-state which is located on the southern route of the Silk Road and flourished during the 1st-4th centuries BC.

Tian voiced his appreciation for Yasutaka's efforts to support China in the protection of environment and cultural heritage.

Yasutaka said that he would make new contributions to China's environment protection and cultural exchanges between Japan and China.

Southeast Asia & Pacific

Australian Sentenced to 16 Years, Expulsion

*OW2809141995 Beijing ZHONGGUO XINWEN SHE
in English 1257 GMT 28 Sep 95*

[FBIS Transcribed Text] Beijing, September 28 (CNS) — The Shenzhen Intermediate People's Court today handed down a 16-year jail term on a Chinese-

Australian businessman James Peng Jiandong who was found guilty of embezzlement and corruption. The court also ordered his expulsion from China.

Peng, 36, used to work in Lufeng County, Guangdong Province. He was interrogated by the public prosecutions office for alleged profiteering whilst employed as a salesman in Shenzhen between August, 1983 and October, 1986. Peng was later released without being charged. He was hired as general manager and then chairman of Shenzhen Champaign Industrial between January, 1988 and July, 1992. He was granted Australian nationality in December, 1991. The court said that Peng abused his position in the company in March, 1989 by illegally transferring HK\$800,000 to a textile trading company under his control in Hong Kong. According to the court file, Peng, in February 1992, embezzled RMB 290,000 from one subsidiary of his Shenzhen company and used it to repay personal debts.

Peng was found guilty of embezzlement and corruption. He was sentenced to 16 years imprisonment in accordance with the Company Law. He was also ordered to be expelled from China.

He has ten days in which to lodge an appeal with the Guangdong Higher People's Court. He has signalled his intention of so doing.

Li Tieying Meets With Australian Bank Chairman

*OW2909101695 Beijing XINHUA in English
0939 GMT 29 Sep 95*

[FBIS Transcribed Text] Beijing, September 29 (XINHUA) — Chinese State Councillor Li Tieying met with Tim Besley, chairman of the Commonwealth Bank of Australia, and his party here this afternoon.

Besley is here attending the 11th General Meeting of the Pacific Economic Cooperation Council on behalf of Australian banking circle.

Singapore President, Entourage Tour Jilin

*SK2709083195 Changchun JILIN RIBAO in Chinese
28 Aug 95 p 1*

[By reporter Yuan Huanzhang (5913 3562 4545): Ong Teng Cheong, President of Singapore, Mounts Changbai Shan"]

[FBIS Translated Text] Accompanied by Acting Governor Wang Yunkun and his wife Pan Dali, Ong Teng Cheong, president of Singapore, and his wife Lin Xiumei toured Changbai Shan on 25 August. At the top of Changbai Shan, President Ong Teng Cheong enjoyed the sight of Tian Chi and felt carefree and joyous. After

highly praising Tian Chi, he wrote an inscription "the wonders at all times."

On the afternoon of 25 August, President Ong Teng Cheong enthusiastically climbed Changbai Shan. The mysterious Tian Chi of Changbai Shan displayed its graceful bearing in front of the guests, making the president fulfill his long-cherished wish.

President Ong Teng Cheong is the first foreign state leader who mounted Changbai Shan. The miraculous and magnificent sight of Changbai Shan, the highest peak in Northeast Asia, gave a beautiful impression on the distinguished guests from Southeast Asia.

Before climbing Changbai Shan, President Ong Teng Cheong and his entourage visited the Changbai Shan natural science museum to learn about the history of the formation of Changbai Shan and its natural style and features.

On 26 August, President Ong Teng Cheong also visited Leagshan folk village of Korean nationality in Longjing city and was given a warm welcome by the villagers. Serving as a guest at the house of Pu Wanzhu, a peasant of Korean nationality, President Ong Teng Cheong asked in detailed about the daily life, food, and living habits of the Koreans, watched the folk song and dance performance presented by male, female, old and young villagers as well as their springboard and chess games. After that, President Ong Teng Cheong and his wife Lin Xiumei planted a willow tree to symbolize the friendship between the two countries of China and Singapore and wished eternal friendship between the peoples of the two countries.

Also accompanying the guests during the visit were Wu Jichuan, leader of the Chinese accompanying group and minister of post and telecommunications, and his wife Gong Shuangjin; Fu Xuezhang, Chinese ambassador to Singapore, and his wife Li Kairong; Sun Yaoting, deputy secretary general of the provincial government; Liang Jichang, director of the provincial foreign affairs office; Zheng Yongzhe, head of Yanbian Korean Nationality Autonomous Prefecture; and Brigadier General Teo Chee Hean, acting minister of environment of Singapore and head of the high-level political department of the Ministry of Defense.

In the afternoon, President Ong Teng Cheong and his entourage left Yanji city for Shanghai city to continue their visit on a special plane.

Near East & South Asia

Qian Qichen, India's Mukherjee Discuss Ties

OW2909062495 *Beijing XINHUA in English*
0452 GMT 29 Sep 95

[FBIS Transcribed Text] New York, September 28 (XINHUA) — Chinese Vice-Premier and Foreign Minister Qian Qichen on Thursday [28 September] told Indian Foreign Minister Pranab Mukherjee that Sino-Indian cooperation has great potential.

Qian said the relations between the two countries have improved since his visit to India in July 1994. He hoped that new ways and new fields for economic and trade cooperation will be constantly explored so as to promote a comprehensive development.

He pointed out that there are broad prospects for Sino-Indian cooperation in South-South cooperation, non-aligned movement, human rights, environment, population and other major international issues.

Qian also spoke highly of the Indian Government's support for China on the Taiwan question and international issues.

Mukherjee said the bilateral relations have improved in all fields and that the exchanges of visits between leaders of the two countries have promoted the understanding of the two sides.

India is willing to make efforts, together with China, to strengthen cooperation and expand trade in order to promote the relations, Mukherjee said.

The two ministers noted the improvement in the bilateral relations, including the signing of a treaty of peace and security along the border in 1993 and the progress made on solving the problem of the deployment of forces in border areas where the soldiers of the two sides are too close to each other.

The two ministers also exchanged views on the bilateral relations and international issues of common concern.

Beijing, Tel Aviv To Promote Bilateral Trade

OW2809075995 *Beijing XINHUA in English*
0651 GMT 28 Sep 95

[FBIS Transcribed Text] Jerusalem, September 28 (XINHUA) — China and Israel have signed a protocol of the second session of the joint Israeli-Chinese Committee on Trade which outlines the need to further develop bilateral trade ties.

The document was signed Wednesday night [27 September] at a banquet hosted by Israeli Industry and Trade Minister Mikha Harish in honor of visiting

Chinese Minister of Foreign Trade and Economic Cooperation Wu Yi.

The first session of the committee was held in Beijing in March 1994 during Harish's visit to China.

In her address Wednesday night, Wu said that despite the rapidly growing trade between the two countries, the total trade volume is still quite low compared with the trade capability of both countries.

The trade volume between the two countries reached 250 million U.S. dollars in 1994 with a 63.5 percent increase over 1993, and in the first half of this year, it has already registered a 60.4 percent increase over the same period last year.

According to Wu, China's total trade volume in 1994 was over 230 billion dollars, while Israel garnered a trade volume in 1994 of 56 billion dollars.

She said that during the talks, both delegations discussed new ways of promoting bilateral trade.

Harish pointed out that Israel will establish a high-tech industrial park in Tianjin, east of Beijing, in northern China.

The proposal was initiated by Israeli Prime Minister Yitzhaq Rabin during a visit here by Chinese Vice Premier Zou Jiahua last year, according to Harish.

Agreements on several joint ventures were also signed Wednesday night between Israeli and Chinese leading enterprises, including the Eisenberg Group of Companies of Israel which will invest an estimated 200 million dollars in a company in Beijing.

Earlier Wednesday, China and Israel signed a financial cooperation referendum, which will provide financial support for economic cooperation between the two sides.

Wu also met with Rabin Wednesday afternoon at the Prime Minister's Office in Jerusalem.

During the meeting, Rabin stressed that the Israeli government attaches great significance to the development of trade and economic relations with China.

Wu arrived here Tuesday on a six-day official visit to Israel at the invitation of Harish, and is being accompanied by 16 top ministry officials and 23 top Chinese industrialists.

CPPCC Vice Chairman Meets Kuwaiti Delegation
OW2809052495 Beijing XINHUA in English
0418 GMT 28 Sep 95

[FBIS Transcribed Text] Beijing, September 28 (XINHUA) — Wu Xueqian, vice-chairman of the National

Committee of the Chinese People's Political Consultative Conference (CPPCC), met here this morning with a delegation of the National Council of Kuwait, and they exchanged opinions on issues of common concern.

The five-member delegation, headed by Gannam A. al-Gamhor, chairman of the Kuwait-China Friendship Committee of the National Council of Kuwait, arrived here on September 23 at the invitation of the CPPCC.

Nepal Premier Speaks at National Day Fete

OW2809162295 Beijing XINHUA in English
1532 GMT 28 Sep 95

[FBIS Transcribed Text] Kathmandu, September 28 (XINHUA) — Nepalese Prime Minister Sher Bahadur Deuba today congratulated the 46th anniversary of the founding of the People's Republic of China and warmly appreciated the traditional friendship between the two neighboring countries.

He made the remarks at a reception held here tonight by Chinese Ambassador to Nepal Shao Jiongchu to celebrate China's national day.

About 500 guests, including high-ranking officials, political leaders, noted figures and diplomatic envoys in Nepal, attended the reception at the International Convention Hall in Kathmandu, which was built with China's assistance.

Sudan President's Visit to Wuhan Reported

OW2709142895 Beijing XINHUA in English
1343 GMT 27 Sep 95

[FBIS Transcribed Text] Wuhan, September 27 (XINHUA) — Visiting Sudanese President 'Umar Hasan Ahmad al-Bashir awarded a medal of honor to Xia Juhua, chairperson of the Chinese Acrobats' Association, here today.

The Sudanese President presented the award to Xia, who is also vice-chairperson of the Wuhan City People's Congress Standing Committee, in recognition of her contributions to the training of the Sudan's first acrobatic troupe and the growing friendship between the people of the two countries.

President al-Bashir arrived here from Beijing earlier today. Wuhan, where the Sudanese acrobats had once been trained by local artists, is the second leg of his current China trip.

Wang Shengtie, deputy governor of this central China's Hubei Province, met with the Sudanese president and his party and gave a dinner in their honor this evening.

Prior to the meeting, a signing ceremony for an agreement on forging the sisterly friendship ties between Wuhan and Khartoum was held.

In the afternoon, the Sudanese President visited the Wuhan Television Station and the Tongji Medical Science University in the city.

Qian Qichen, Syrian Foreign Minister Meet
OW2909003895 Beijing XINHUA in English
1807 GMT 28 Sep 95

[FBIS Transcribed Text] New York, September 28 (XINHUA) — Chinese Vice-Premier and Foreign Minister Qian Qichen on Thursday [28 September] exchanged views with Syrian Foreign Minister Faruq al-Shar' on the relations of the two countries and the Middle East peace process.

During their meeting here, the two sides also discussed other international issues of common concern.

Sub-Saharan Africa

Qian Qichen, Djibouti Foreign Minister Meet
OW2909062595 Beijing XINHUA in English
0535 GMT 29 Sep 95

[FBIS Transcribed Text] New York, September 28 (XINHUA) — Chinese Foreign Minister Qian Qichen met here today with his Djibouti counterpart Mohammed Moussa Chehem.

They agreed that the two countries, though far apart geographically, have conducted fruitful and friendly cooperation.

Qian spoke highly of the Djibouti government's remarkable achievements in upholding national unity and reconciliation, ending the civil war, developing economy and improving the people's living standards.

China appreciates Djibouti's foreign policy of neutrality, non-alignment and good-neighbourliness and its commitment to promote regional peace and stability, Qian said, adding that Djibouti has played a positive role in African affairs.

Qian also expressed his appreciation of Djibouti's principled position of adhering to the "one China" policy, making no official contacts with Taiwan and opposing Taiwan joining the United Nations.

Chehem said Djibouti looks forward to closer cooperation with China in economy and trade and in international affairs.

On the Taiwan issue, Chehem noted that Djibouti has always adhered to its principled position of "one China" and will never change this policy.

Qian, Guinean Foreign Minister View Ties
OW2909003995 Beijing XINHUA in English
1935 GMT 28 Sep 95

[FBIS Transcribed Text] New York, September 28 (XINHUA) — Chinese Vice-Premier and Foreign Minister Qian Qichen said here today that China is willing to strengthen friendship and cooperation with Guinea and other African countries.

Meeting Guinean Foreign Minister Kozo Zoumanigui, Qian said Guinea was the first Sub-Saharan African country that established diplomatic relations with China, which has stood the test of changes in the international situation.

Qian said the two sides have identical or similar views and positions on many major international issues, and spoke highly of Guinea's adherence to the "one China" policy.

"China is willing to continue strengthening friendship and cooperation with Guinea and other African countries," Qian underlined.

Kozo Zoumanigui told Qian that Guinea's achievements since independence is inseparable with China's support and assistance. The efficient work of the Chinese experts and technicians in Guinea has been widely praised.

He said that constant consultation on international affairs between the two countries has become a tradition, and that his country is expecting to further the friendly relations of cooperation with China.

On the Taiwan question, the Guinean foreign minister said that China can receive Guinea's unreserved support on questions concerning its sovereignty and territorial integrity.

Mozambique Minister Thanks Beijing for Support
OW2809075895 Beijing XINHUA in English
0701 GMT 28 Sep 95

[FBIS Transcribed Text] Maputo, September 28 (XINHUA) — Minister of Mining and Energy John Kachamila has thanked the Chinese government and people for the assistance and support rendered to his government and people.

Speaking at a reception to mark the 46th anniversary of the founding of the People's Republic of China Wednesday night [27 September], Kachamila said he wished China prosperity.

The Chinese Government and people are old friends of the Mozambicans, he said, noting that the friendly ties and cooperation between the two countries have continuously been strengthened.

Over 200 Mozambicans including leaders of the government and parties, people from all walks of life, friends as well as diplomats from a number of countries accredited here attended the reception given by Chinese Ambassador Mi Shihung.

The atmosphere at the reception is at once cordial and friendly. Ambassador Mi in his speech assured that the Chinese people will work to achieve peace, stability and progress in the world along with other peoples.

Political & Social

Fifth Plenum of 14th CPCCC Closes

OW2809144395 Beijing ZHONGGUO XINWEN SHE
in English 1338 GMT 28 Sep 95

[FBIS Transcribed Text] Beijing, September 28 (CNS) — The Fifth Plenary Session of the Fourteenth Central Committee of the Communist Party of China was held in Beijing from the 25th to 28th of September and was addressed, in a keynote speech, by Chinese President Jiang Zemin.

The conference passed "Recommendations concerning Economic and Social Development for the Ninth Five-Year Plan and Long-Term Targets for 2010". The document is divided into six parts:

1. Important periods for national economic and social development in China.
2. Development targets and policy.
3. The task of and strategies for economic construction.
4. The object of and steps for opening up to reform.
5. The aim of and basic policies for social development.
6. A concerted effort by the people of China to realise the Ninth Five-Year Plan and long-term targets for 2010.

Premier Li Peng explained the recommendations.

The "Investigation Report concerning Chen Xitong" of the Central Commission for Discipline Inspection was also passed. It was decided to withdraw Chen's membership of the Political Bureau of the CPC Central Committee and the Central Committee. Further investigation on Chen will be launched.

176 members and 125 alternate members of the Central Committee attended the conference. Standing committee members of the Central Commission for Discipline Inspection and other heads concerned attended as non-voting delegates.

'Successful' Conclusion Cited

OW2809143795 Beijing XINHUA Domestic Service
in Chinese 1202 GMT 28 Sep 95

[RENMIN RIBAO editorial: "Magnificent Trans-Century Program — Greeting the Successful Conclusion of the Fifth Plenary Session of the 14th CPC Central Committee" — date not given]

[FBIS Translated Text] Beijing, 28 Sep (XINHUA) — The Fifth Plenary Session of the 14th CPC Central Committee has come to a successful conclusion after completing all scheduled items on the agenda.

The main achievement of the session, convened at a crucial time in the development of China's reform, opening up, and socialist modernization drive, is that it examined and approved the "CPC Central Committee's Proposal Concerning the Formulation of the Ninth Five-Year Plan (1996-2000) for National Economic and Social Development and the Long-Term Target for 2010." This historic document comprehensively embodies Deng Xiaoping's theory of building socialism with Chinese characteristics and the requirements of the party's basic line, and reveals the bright prospects for the Chinese nation's development in the next 15 years. It is a magnificent program guiding the whole party and the people of all nationalities throughout the country to advance in big strides along the road of building socialism with Chinese characteristics; to attain national prosperity, revitalization, and long-term stability and order; and to smoothly usher in the 21st century. The session is of far-reaching significance in the history of our party's development as well as the history of national revitalization.

China has scored great, historical achievements in the socialist modernization drive since it started the reform and opening up to the outside world and especially during the Eighth Five-Year Plan period. The national economy has developed rapidly, the comprehensive national strength has been markedly enhanced, the people's lives have seen a noticeable improvement, a socialist market economic structure is being established step by step, the general pattern of opening up to the outside world has been basically formed, and all social undertakings have registered enormous progress. The previously set task of quadrupling the 1980 gross national product [GNP] by 2000 is expected to be accomplished this year, ahead of schedule. As we open our eyes, we see on the good earth of our motherland economic prosperity, political stability, ethnic harmony, and social progress — scenes of flourishing life. More importantly, through practice, we have formulated the line, principles, and policies for step-by-step realization of China's modernization drive; and have successfully blazed a trail for building socialism with Chinese characteristics. All of these have provided the prerequisite for drafting the "proposal" and have created the basic conditions for implementing the "proposal."

The coming 15 years will be an important period for China's march toward socialist modernization, a period forming a connecting link between the preceding and the following and a period carrying forward our cause and forging ahead into the future. The fighting goal put forth by the "proposal" for this period is: During the Ninth Five-Year Plan period, we will fulfill the second-stage strategic plan for the modernization drive in an all-round

way; and, by 2000, the GNP per capita will quadruple the 1980 figure, the people's lives will reach a relatively comfortable standard, and the socialist market economic system will be established initially. By 2010, the GNP will double the 2000 figure, enabling people to lead even more comfortable lives; and a relatively complete socialist market economy will be established. This is an inspirational as well as realistic goal. The realization of this goal will enable China's social productive forces, comprehensive national strength, and people's living standard to attain another high level; and the construction of socialist spiritual civilization as well as democracy and the legal system to make marked progress, thus opening up a new situation for fulfilling the third-stage strategic objective for the middle period of the next century when modernization will basically be realized.

The "proposal" forwards a series of fundamental principles and major policies for drawing up the first medium- and long-term program under the condition of developing a socialist market economy. In particular, the "proposal" emphasizes the need to firmly grasp the overall situation of "seizing the opportunity, deepening reform, opening up wider, promoting development, and maintaining stability"; and to appropriately handle the relations between reform, development, and stability. It points out that this is the basic principle that must be adhered to for a long time to come. By implementing the principle, we will be able to control the overall situation and seize the opportunity to develop and expand our strength. What this basic principle has epitomized and advanced is a scientific summation of the practical experiences in the past 17 years, especially since the convening of the 14th CPC National Congress; and is of great strategic significance. With Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics, the basic line of "one center, two basic points," and this "20-character" basic principle on the overall situation, plus a series of major policies guiding the national economic and social development, our party will be able to guarantee China's socialist modernization drive to continuously advance from victory to new victory.

Highlighting the guiding ideology of taking economic construction as the central task, the "proposal" emphasizes that development is the last word [fa zhan shi ying dao li 4009 1455 2508 4289 6670 3810]. It points out: The key to attaining the fighting goal toward the next century is to realize two changes. One is the change of the economic system from the traditional planned economy to a socialist market economy, and the other is the change of economic growth mode from being extensive to intensive. These two changes are fundamen-

tal changes of overall importance. Gradual realization of them can promote a sustained, rapid, and healthy [chi xu kuai su jian kang 2170 4958 1816 6643 0256 1660] development of the national economy and all-round progress of society.

Editorial Hails Session

HK2909075295 *Hong Kong TA KUNG PAO*
in Chinese 29 Sep 95 p A2

[Editorial: "An Inspiring Magnificent Blueprint—Hailing the Successful Conclusion of the Fifth Plenary Session of the 14th CPC Central Committee"]

[FBIS Translated Text] The Fifth Plenary Session of the 14th CPC Central Committee, which ended yesterday, made concentrated efforts to solve the problem of what China should be like when the new century begins, setting out a program of action which displays a magnificent blueprint for development in the next 15 years.

This is an epoch-making meeting because it will have an inestimable impact on China's reform, opening up, and modernization program.

The "CPC Central Committee's Proposals on Formulating the 'Ninth Five-Year Plan' for National Economic and Social Development and on Setting Objectives for 2010," adopted by the plenary session, is a document of the combined wisdom of the entire party, a document which reflects the strong wish of the people across the country to seize upon the favorable opportunity to make a bigger breakthrough in economic construction through hard work.

The objectives set by the plenary session are inspiring. The tasks for the "ninth five-year plan" are as follows: The second-step strategic program for modernization is to be fully accomplished; the per-capita GNP of 1980 is to be quadrupled by 2000 though the population will have increased by about 300 million over that of 1980; poverty is to be basically eradicated and the people are to live a comparatively comfortable life; and the introduction of the modern enterprise system is to be stepped up to build up a preliminary socialist market economy. The 2000 GNP will be doubled by 2010 to give the people a more affluent life and build up a better socialist market economy.

China began to make an eye-catching breakthrough in economic construction in 1980. It scored brilliant achievements through hard work in three "five-year plan" periods. The original task of quadrupling the 1980 GNP by the end of this century is to be fulfilled this year ahead of schedule. The "eighth five-year plan" witnessed the most dynamic economy and the most

rapid economic growth in Chinese history. Four out of five years registered 10 percent growth or more, far ahead of other countries in the world. Given such momentum, the objectives set by the "Communiqué" will certainly be achieved. As a result, China's social productive forces and overall national strength and its people's living standards will attain new highs; socialist culture and ethics will be markedly advanced; democracy will be expanded; and the legal system will be strengthened, laying a solid foundation for achieving the third-step strategic goal and basic modernization in the middle of next century.

China's experience has proved that it is possible to bring about a period of particularly rapid economic development every few years, as has also been proved by the experience of other countries. In analyzing the experience at home and abroad in 1992, Mr. [as published] Deng Xiaoping set forth the following basic ideological guideline: "In the long process of modernization to come, it is necessary and possible to bring about every few years a period of particularly rapid development and good economic results. We must aim high." The program of action for the next 15 years formulated by the CPC Central Committee precisely gives play to this basic ideological guideline.

For China, it is a very important period from now until the middle of the next century, a favorable period for expansion. China has formed the line, principles, and policy for achieving modernization step by step and successfully opened up a path of building socialism with Chinese characteristics. All this will serve as a driving force for future development. Since reform and opening up, China's social productive forces have grown rapidly and its economic strength has markedly increased, laying a favorable foundation for attaining the next objectives. The third-generation leadership, which is still in its prime, has independently handled well domestic and international matters and accumulated rich experience in running the country, so it is capable of ushering into the next century a China imbued with viability and hope. China has achieved enormous success on the diplomatic front. It is the common desire of many countries to intensify cooperation with China, so the international environment is very beneficial to China's development. The entire party membership and the people of the whole country will certainly seize the favorable opportunity and make concerted and concentrated efforts to promote economic construction to fulfill the glorious tasks assigned by the plenary session.

The plenary session deliberated and adopted the Central Discipline Inspection Commission's report on the Chen Xitong case and pointed out the serious mistakes he

had committed. The session decided to dismiss him from his posts as member of the Central Political Bureau and member of the CPC Central Committee and suggested removing him from his position as National People's Congress deputy according to law. This reveals the earnest and serious manner adopted by the central authorities in prosecuting the Chen Xitong case as well as their determination and boldness in leading the campaign against corruption. China will unremittingly improve the party's work style, intensify ethical construction, and conduct a persistent and thorough drive against corruption.

The convocation of the Fifth Plenary Session is also good news for Hong Kong. The next 15 years is also a favorable period for Hong Kong's development. Hong Kong has had a reputation for being "so-and-so centers" and ranked "first, second, or third in so-and-so fields," but all this has happened in the last 20 years. So Hong Kong owes its prosperity to the opportunities provided by China's reform, opening up, and modernization program. The Fifth Plenary Session means additional opportunities for Hong Kong people. If you read the "Communiqué," which sets the objectives and principal tasks for economic construction in the next 15 years, you will know that the mainland will make better use of Hong Kong as a means of access to other countries in the world, bringing its intermediary role into full play, while offering Hong Kong businessmen more investment and business opportunities. During the "ninth five-year plan," Hong Kong will return to the embrace of the motherland; Hong Kong and the motherland will share a common fate; mainland-Hong Kong cooperation will be stepped up; and the central government will provide more guarantees for Hong Kong's prosperity and stability; and Hong Kong people, after shaking off colonial rule, will better exercise their talents. So, Hong Kong should have an excellent opportunity for development and a better future after 1997.

Deng Had 'Crucial Say' in Military Reshuffle
HK2909031295 Hong Kong HONGKONG
STANDARD in English 29 Sep 95 p 1

[By China editor Cary Huang]

[FBIS Transcribed Excerpt] China's paramount leader Deng Xiaoping has stepped in to have a crucial say in the latest major reshuffle in the Chinese military in a last bid to pave the way for a smooth transition of power.

The intervention by the Chinese patriarch also spared ousted Beijing party chief Chen Xitong harsh punishment within the ruling party, according to Chinese sources.

The Central Committee stripped the former Beijing party secretary of his seats in both the committee and the elite policymaking Politburo.

It also recommended removing him from the national legislature.

But Mr Chen's fall is also believed to be linked to backstage power politics as party leaders manoeuvre for primacy in anticipation of Mr Deng's death.

In recent talks with party chief and State President Jiang Zemin and Premier Li Peng, Mr Deng expressed concern about unity among leaders, saying any decision should help achieve a smooth transition of power.

Mr Jiang and Mr Li paid a visit to the retired leader early this month to discuss key decisions after party leaders met for their annual month-long meeting at the northern China seaside resort of Beidaihe, Chinese sources said.

"It is believed that Mr Deng has given his personal opinion on the decisions," a well-informed Chinese source said, pointing to the fact the reshuffle saw Mr Deng's proteges promoted to top military positions. [passage omitted]

Further on Deng Role in Reshuffle

HK2909035395 *Hong Kong LIEN HO PAO*
in Chinese 29 Sep 95 p 1

[*"Dispatch from Beijing"*: "Deng Xiaoping gives instruction that current personnel arrangements and leading bodies should remain unchanged"]

[FBIS Translated Text] The Fifth Plenary Session of the 14th CPC Central Committee has concluded, with a small-scale readjustment in personnel. It has been indicated that CPC patriarch Deng Xiaoping gave the instruction: "Current personnel arrangements and leading bodies should remain unchanged." That accounts for the small-scale readjustment.

Vice Chairman Chi Haotian Profiled

OW2809145195 *Beijing XINHUA Domestic Service*
in Chinese 1039 GMT 28 Sep 95

[FBIS Translated Text] Beijing, 28 Sep (XINHUA) — Chi Haotian, male, Han nationality, and a native of Shandong Province's Zhaoyuan County, was born in July 1929. He joined the party in October 1946. He began to work in June 1944 and joined the army in July 1945. He graduated from the Combination Department of the People's Liberation Army [PLA] Military College. He possesses college education and the military rank of a general. He is currently member of the 14th CPC Central Committee, state councilor,

minister of national defense, and member of the Central Military Commission [CMC].

He served as secretary of Zhaoyuan County's Qishan District Squadron in East Shandong as well as correspondent and squad leader of the county's independent battalion. He studied at the second training regiment of the Anti-Japanese Military and Political College branch in East Shandong Military District. Then he became a secretary of the Eight Company, Third Battalion, 13th Regiment, Fifth Brigade in the East Shandong Military District. Between 1947 and 1948 he was appointed to be secretary of the Third Battalion, 73d Regiment, 25th Division of the Ninth Column in East China Field Army and also an officer in charge of cultural affairs in a combat company. Between 1948 and 1950, he was appointed to be deputy political instructor and then political instructor of the Seventh Company, Third Battalion, 235th Regiment, 79th division of the Third Field Army and then deputy political instructor of the battalion. Between 1950 and 1955, he was political instructor of the Third Battalion, 235th Regiment, 79th Division, 27th Army of the Chinese People's Volunteers to fight in Korea, and then become deputy director of the regiment's political department. Between 1955 and 1958 he was political department director of an army regiment. Between 1958 and 1959, he studied at the PLA General High-Level Infantry School. Between 1959 and 1960, he studied at the Combination Department of the PLA Military College. Between 1960 and 1966, he was appointed to be deputy political commissar and political department director of an army regiment, and then became the regiment's political commissar. Between 1966 and 1967, he was appointed to be political department director of an army division. Between 1967 and 1969, he was deputy political commissar of an army division. Between 1969 and 1970, he was deputy director of the political department in an army. Between 1970 and 1973, he served as the political commissar of an army division and member of JIEFANGJUN BAO nucleus group. Between 1973 and 1977, he was deputy political commissar of the Beijing Military Region as well as person-in-charge and deputy chief editor of RENMIN RIBAO. Between 1977 and 1987, he served as PLA deputy chief of general staff, political department director of the PLA General Staff Headquarters, and political commissar of the Jinan Military Region. Between 1987 and 1992, he was CMC member, PLA chief of general staff, and party committee secretary of the General Staff Headquarters. He has served as state councilor, minister of national defense, and CMC member since 1992.

He was elected member of the 12th, 13th, 14th CPC central committees.

CPPCC, CPC Mark National Day

OW2809162495 Beijing XINHUA in English
1553 GMT 28 Sep 95

[FBIS Transcribed Text] Beijing, September 28 (XINHUA) — The National Committee of the Chinese People's Political Consultative Conference (CPPCC) and the United Front Work Department (UFWD) of the Communist Party of China (CPC) held a party today to mark the 46th National Day, which falls on October 1.

Li Ruihuan, chairman of the CPPCC National Committee, Wang Zhaoguo, minister of the UFWD of the CPC, were among those attending the party along with compatriots from Taiwan, Hong Kong and Macao as well as from other countries.

Ye Xuanping, vice-chairman of the CPPCC National Committee, delivered a speech at the party. He said that tremendous changes have occurred in China in the past 46 years since 1949, and the national economy has embarked on a rapid growth after the nationwide reform and opening-up were launched in late 1970s, with people's standard of living improved noticeably and social stability maintained.

He noted that the Chinese people are dedicated to the overall socialist construction and building of the socialist market economy, as well as the development of socialist democracy and legal system.

Progress is being made toward China's goal of quadrupling its GNP by the end of this century, Ye noted.

Also, this year is the 50th anniversary of the victory of the War of Resistance Against Japanese Aggression and China's resumption of sovereignty in Taiwan, he noted. All the Chinese people are looking forward to their reunification of their motherland by resolving the Taiwan issue as soon as possible.

He said the exchange across the Taiwan Straits is enhanced, and the relations between the mainland and Taiwan are being developed in the direction that is favorable to the reunification over recent years thanks to the joint efforts of the people across the straits. But the "splitting forces headed by Lee Ten-hui" attempted to bring about the lasting splitting of Taiwan from the motherland. Such adverse act not only impedes the development of relationship across the straits but hampers the interests of all Taiwanese.

He reiterated that all the Chinese people, including Taiwanese, will on no account give green light to the splitting activities, and the Chinese Communist Party and will safeguard the country's sovereignty and territorial integrity by all means.

Ye said that his country will adhere to the principle of "One China", and combat the activists for Taiwan's independence, while promoting the exchanges between both sides of the straits.

Moreover, he added, China will work for the stability and lasting prosperity in Hong Kong and Macao one basis of the Basic Laws of the Hong Kong and Macao Special Administrative Regions.

Li Peng Role in Economic Planning Forum Noted

OW2909100595 Beijing XINHUA Domestic Service in Chinese 0729 GMT 29 Sep 95

[FBIS Translated Text] Beijing, 29 Sep (XINHUA) — Prior to convening the Fifth Plenary Session of the 14th CPC Central Committee, the party Central Committee on the afternoon of 31 August invited experts and scholars from economic circles to attend a forum at the Huairontang Hall in Zhongnanhai and solicited their opinions on the "CPC Central Committee's Proposal Concerning the Formulation of the Ninth Five-Year Plan for National Economic and Social Development and the Long-term Target for the Year 2010."

Li Peng, Standing Committee member of the CPC Central Committee Political Bureau and State Council premier, chaired the forum of experts and scholars held on the afternoon of 31 August. Zhu Rongji, Wen Jiabao, and other central leading comrades were present at the forum.

At the forum, Li Peng briefed the attendees on the process of drafting the proposal and its basic contents. He said: It is of great significance to properly formulate the Ninth Five-Year Plan and the long-term target for the year 2010 and to ensure a good job in the work of various fields during this period because the plan and long-term target will have a vital bearing on China's prosperity, national revitalization, and prolonged social stability and order, on how China will appear as it ushers into the 21st century. The key to achieve the long-term target for the next 15 years lies in realizing the two fundamental changes of overall importance. One is the change of the economic system from the traditional planned economy to a socialist market economy and the other is the change of the economic growth mode from being extensive to intensive. He said: To do the work for the next five and 15 years well, it is imperative to, first and foremost, ensure a good job in planning. As experts and scholars well versed in economic issues, you are encouraged to freely air your views and make useful suggestions to make the "proposal" even more perfect.

At the forum, Liu Guoguang, Gao Shangquan, Su Xing, Li Yining, Huang Da, Wu Jinglian, Chen Jiyuan, Zhou

Shulian, Wang Jiye, and other experts and scholars took the floor one after another. They offered many invaluable opinions and suggestions.

Ding Guangen Lectures Senior Party Cadres

*OW2909063695 Beijing XINHUA Domestic Service
in Chinese 1004 GMT 20 Sep 95*

[FBIS Translated Text] Beijing, 20 Sep (XINHUA) — When giving a party-knowledge lecture to the leading cadres at the ministerial and department-head level of the party and state central organs today, Ding Guangen, member of the CPC Central Political Bureau and the CPC Central Secretariat and director of the CPC Central Propaganda Department, stressed the importance of effective propaganda and ideological work under the new situation because of the need to deepen reform, expand opening up, promote economic growth, maintain unity and stability, and make social progress while strengthening and improving the party's leadership, implementing the party's basic line, and keeping it unshakable over 100 years. We must constantly take Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics as the fundamental guideline; arm the people's minds with scientific theory; guide the people's thinking with correct opinions in the mass media; mold the people with a noble spirit; inspire the people with good works; control orientation; raise quality and create more good works; intensify management; consolidate the contingent; be united, stable, vigorous, and realistic; promote thriving and healthy development of our propaganda and cultural undertakings; and better serve the people, socialism, and the general work of the party in the whole country.

Ding Guangen said: Attaching great importance and giving full play to propaganda and ideological work, rallying the whole party, mobilizing the masses, and struggling for the fulfillment of our great tasks represents our party's fine tradition and political advantage. Since the 14th Party Congress, the party Central Committee with Comrade Jiang Zemin at the core has attached great importance to propaganda and ideological work and has made a series of important instructions and arrangements. Propaganda and ideological work have made new progress on the basis of previous achievements; and a positive, healthy, and progressive trend has been maintained and developed. We should consolidate achievements, strengthen any weak links, and further improve work results.

Ding Guangen pointed out: Since the beginning of reform and opening up, the greatest achievement made by our party in the field of ideology and theory is the forming of Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics. In order

to arm the whole party consistently and educate the people with this theory, it is crucial first to arm leading party cadres at all levels, especially senior cadres, with this theory. We should fully and correctly understand the basic viewpoints of this theory and master its scientific system and essentials. The study should be linked with practical work, and the theory should be applied to enhance our ability to apply it in considering and settling various major issues in reform and construction.

Ding Guangen said: To conduct effective propaganda and ideological work under the new situation, the most important thing is to keep conscientiously in line with the Central Committee and resolute in carrying out the central instructions and maintaining the authority of the central leadership, thus bringing the thinking of cadres and the masses into line with central policies and work arrangements. It is necessary to maintain a correct opinion orientation; provide a benign opinion environment for reform, opening up, and modernization; constantly advocate and promote the main theme of the times; strengthen the building of spiritual civilization; and boost people's morale, inspire the masses, and rally the force of the whole nation. While encouraging the creation of more works, also pay attention to management, try to create more and better cultural works, and continuously satisfy the people's increasing needs in their cultural life.

Ding Guangen stressed: The key to achieving good results in propaganda and ideological work lies in building a contingent of propaganda personnel who have a strong sense of political responsibility, are well aware of the overall situation, always consciously keep in line with the party central leadership, never act on their own without regard to instructions and prohibitions, always give consideration to the interests of the state and the people, work honestly and diligently, never abuse their powers in pursuit of private gains, and never assume the air of overlords. They should constantly adhere to materialist dialectic; properly make adjustments of their work; and guard against the methodology of metaphysics, onesidedness, and absolutism. They should sing the main theme of the times and prevent "noise"; tell the truth, pay attention to social effects, and not just seek immediate material gains without regard to moral principles; observe discipline and not act haphazardly on their own. They should join forces in their work, cooperate well, and not act on their own in an ill-coordinated way. They should strive to achieve solid results in their work and overcome formalism and any window-dressing practice. They should earnestly study and be good at using their minds and summing up work experience, and should not be concerned only with routine affairs and social activities without paying

attention to the overall situation and long-term work plans.

Ding Guangen pointed out: We are situated in a complicated and changeable international environment, undergoing unprecedented profound changes and facing many new matters and problems. Propaganda and ideological work is related to the overall situation of the cause of socialism with Chinese characteristics and requires close attention from the whole party and joint action by the whole party. Leading cadres at all levels should closely rally around the party central leadership with Comrade Jiang Zemin at the core, conscientiously carry out the guideline of using both hands in our work and keeping both hands tough, set a good example with their own behavior, faithfully discharge their duties, and strive to achieve good results in the building of both material and spiritual civilization.

Today's party-knowledge lecture was held jointly by the CPC Central Organization Department, the Work Committee for Organs Under the CPC Central Committee, and the Work Committee for Central Government Organs; and was chaired by Zeng Qinghong, director of the CPC Central Committee's General Office.

Li Tieying Inspects Northern Shaanxi

OW2909040095 Beijing XINHUA Domestic Service
in Chinese 1436 GMT 16 Sep 95

[By RENMIN RIBAO reporter Jiang Jianko (5592 1696 4430) and XINHUA reporter Wu Jinyu (0702 6930 3842)]

[FBIS Translated Text] Xian, 16 Sep (XINHUA) — Li Tieying, member of the Political Bureau of the CPC Central Committee and state councillor, inspected work in northern Shaanxi and held an impromptu meeting on protecting and improving old revolutionary sites and memorial places in Yanan. He emphatically stated: It is imperative to properly preserve Yanan, the sacred revolutionary base. We must do a good job in building and modernizing Yanan and truly let the party Central Committee, the people of the whole country, and the veteran comrades who worked in Yanan feel at ease.

From 13 to 16 September, Li Tieying first attended the national conference on protecting cultural relics. He then led concerned comrades of various ministries and commissions of the state to Yanan to inspect preservation work for old revolutionary sites and the situation of economic development in Yanan. Li Tieying fully affirmed Yanan's various endeavors in recent years. He said: Yanan has made significant achievements in building the economy and protecting cultural relics. People's mental outlook and living standards have undergone great changes, and city construction and communica-

tions have also been greatly improved. These are all encouraging signs.

Li Tieying extensively solicited opinions on economic construction in revolutionary memorial locations and protection of old revolutionary sites, asking both cultural relics workers and veteran comrades who worked in Yanan before. He also held an on-the-spot work meeting to listen seriously to work reports by concerned departments of Shaanxi Province, Yanan Prefecture, and the State Council. Li Tieying said: Yanan is a sacred revolutionary base that attracts the interest of people of the whole country and the world, so doing a good job in promoting economic construction and protecting revolutionary relics is the common wish of the whole party and the people of the whole country. It is not a local task but one that concerns the overall situation, not a small matter but an important one. We must do this work conscientiously. Recently, General Secretary Jiang Zemin, Premier Li Peng, and other central leading comrades have successively given important instructions on the construction and administration of revolutionary memorial sites in Yanan. We must redouble our efforts to promote economic construction in Yanan and do a good job in carrying out reform and opening up and properly protecting cultural relics and old revolutionary sites. This is an honorable task entrusted to us by the party and the people and our unshirkable historical responsibility.

Touching on how to handle relations between modernization and protection of cultural relics and revolutionary memorial sites, Li Tieying pointed out: We are now fulfilling the two great strategic tasks of helping the people lead a relatively comfortable life by the end of this century and establishing a socialist market economy. We must carry forward and develop the Yanan spirit, grasp the opportune time, heighten our spirit, further improve Yanan's economy, and enable people in Yanan to become well off. Through our efforts, we must build Yanan into a political, economic and cultural center in northern Shaanxi. With economic development, it will be easy for Yanan to protect cultural and revolutionary relics properly. This is a new chapter of work to be done by Yanan today.

Li Tieying emphatically said: In the new period, we need a new way of thinking about protecting cultural relics. In protecting revolutionary and cultural relics, we must also emancipate our minds, change our concepts, and arouse the enthusiasm of all people. We should integrate the work of the state and the work of the society in protecting revolutionary and cultural relics and seriously explore new systems and new ways to protect revolutionary and cultural relics properly under the conditions of a socialist market economy.

Li Tieying asked responsible persons of Yanan Prefecture to strengthen their leadership in this work and to establish a group of principal leading comrades to properly handle relations between protection of cultural relics, urban construction work, and tourism development. He said: Departments in charge of protecting cultural relics at various levels should pay attention to conducting a general survey of cultural relics and revolutionary old sites. While the central authorities will appropriate a certain amount of funds for repair and preservation of revolutionary old sites and cultural relics, the local authorities should formulate mid- and long-term plans for locating, cataloging, and studying revolutionary and cultural relics. Old revolutionary sites should be turned into places "with things to see, events to talk about, and data to check." It is necessary to improve the way of exhibiting cultural relics, add things for exhibition, and give full play to the educational role of exhibiting revolutionary and cultural relics. He emphatically stated: The improvement of Yanan's revolutionary memorial sites cannot be done in one day. We should include this work in the economic and social development plan, city construction plan, government budget, and work agenda. We should implement a responsibility system for leaders overseeing the work. At present, it is necessary to establish a protection fund for preserving revolutionary old sites and cultural relics in Yanan. The use of the fund should follow a standard procedure and be made public. We should use the fund to complete some meaningful things. Li Tieying suggested that concerned ministries and commissions of the central authorities, military units, and schools should take part in restoring and protecting their former organizations such as the former Border Government, Qingliangshan News Publishing Hall, the Anti-Japanese Military and Political University, the Border Bank and other old revolutionary sites based on their "relationship" with those old sites. Those sites can be used as bases for various units to conduct education on revolutionary tradition and patriotism and as educational bases for training young people and children.

During his inspection, Li Tieying also visited the old site of the Luochuan Meeting, Huang He Hukou Hall, Nanniwan Production Memorial Hall, Yanan Revolutionary Memorial Hall, Zaoyuan, Wangjiaping, Yangjialing, and other old revolutionary sites, including Tongchuan Yaozhouyao Museum. He also visited the tomb of the Yellow Emperor and presented a wreath at the 8 April Martyrs Cemetery.

Those accompanying Li Tieying in the inspection tour included Cheng Andong, Shaanxi governor; Wu Shaozu, minister in charge of the State Physical Culture and Sports Commission; Zhu Yuli, general manager

of the Chinese General Aeronautics Company; and Xu Wenbo, commander of the hydroelectric power unit of the armed police and vice minister of culture.

Report on Leaders' Activities 22-28 Sep
OW2909064995

[FBIS Editorial Report] PRC media monitored from 22-28 September carried the following reports on PRC Central leadership activities. The source is noted in parentheses after each report.

Li Guixian Inspects Guangzhou Projects — On the afternoon of 12 September, accompanied by Guangzhou city Vice Mayor Chen Kaizhi, State Councillor Li Guixian and Minister of Labor and Personnel Song Defu [as published; FBIS records lists Song Defu as personnel minister and Li Boyong as labor minister in accordance with the State Council's 1988 division of the Ministry of Labor and Personnel into two ministries] inspected construction of Guangzhou's subway, the Zhujiang Tunnel, and other projects of Guangzhou. (Guangzhou YANGCHENG WANBAO in Chinese 13 Sep p1)

Xie Fei Addresses Guangdong Meeting — A provincial meeting on village and town enterprises was held in Shunde city 13-14 September to study and lay down a plan for the reform and development of Guangdong's village and town enterprises. Xie Fei, member of the CPC Central Committee Political Bureau and secretary of the Guangdong Provincial CPC Committee, delivered an important speech at the beginning of the meeting. (Guangzhou YANGCHENG WANBAO in Chinese 15 Sep p1)

Li Tieying, Others Attend Minorities Sports Meeting — The organization committee for the Fifth National Ethnic Minorities Traditional Sports meet has been formally inaugurated. Li Tieying, member of the CPC Central Committee Political Bureau and state councillor; National People's Congress Standing Committee Vice Chairman Buhe; and Ismail Amat, state councillor and minister in charge of state commission for nationalities affairs, attended yesterday's inaugural meeting at the Great Hall of the People. Li Tieying, Ismail Amat, Wu Shaozu, and Yunnan Provincial Governor He Zhiqiang spoke at the inaugural meeting. The sports meet is scheduled to be held in Kunming 5-12 November this year. (Beijing Central People's Radio Station in Mandarin 2230 GMT 22 Sep 95)

Yu Yongbo Views Calligraphic Exhibition — An exhibition of the calligraphic works of (Li Jianmin,) a demobilized serviceman, opened in Beijing today. Yu Yongbo, director of the General Political Department

of the People's Liberation Army, attended the opening ceremony and viewed the exhibition. (Beijing Central People's Radio Station in Mandarin 1030 GMT 23 Sep 95)

Wei Jianxing Visits Hospitalized Playwright. — On the morning of 24 September, Wei Jianxing, member of the CPC Central Committee Political Bureau and secretary of the Beijing Municipal CPC Committee, visited well-known playwright Cao Yu at the Beijing Hospital, extending his congratulations to the playwright on the occasion of his 85th birthday. (Beijing XINHUA Domestic Service in Chinese 0900 GMT 24 Sep 95)

Zou Jiahua Writes Packaging Work Meeting Inscription — A national meeting marking the 15th birthday of China's packaging technology and the 15th anniversary of the publicizing of packaging work was recently held in Fujian. State Councillor Zou Jiahua wrote an inscription to mark the occasion. The inscription reads: Endeavor to do a good packaging job to serve national economic construction. (Beijing Central People's Radio Station in Mandarin 2230 GMT 24 Sep 95)

Li Lanqing, Others Visit Beijing Exhibition — Li Lanqing, Li Tieying, Zou Jiahua, Wang Bingqian, Wang Guangying, Tomur Dawamat, Wan Guoquan, and other comrades this evening visited the 1995 Beijing international audio and video equipment exhibition. (Beijing XINHUA Domestic Service in Chinese 1401 GMT 25 Sep 95)

Chen Junsheng Hails Beijing Young Reporters' Work — Large-scale activities to report poverty-relief work across the country organized by the Beijing Young Reporters Association and the State Council's Poverty Relief Office successfully ended after more than two months of work. State Councillor Chen Junsheng wrote the Beijing Young Reporters Association to praise the activities, saying the activities effectively supported the state's poverty-relief plan and yielded very good social results. (Beijing XINHUA Domestic Service in Chinese 2122 GMT 25 Sep 95)

Li Tieying Attends Meeting on Enforcing Physical Culture Law — The State Commission for Physical Culture and Sports today held a mobilization meeting in Beijing on studying, publicizing, and enforcing the Physical Culture Law. State Councillor Li Tieying attended and addressed the meeting, calling for launching a nationwide campaign to study, publicize, and enforce the law. (Beijing Central Television Program One Network in Mandarin 1100 GMT 26 Sep 95)

Song Jian Inspects Garment Processing Center — Song Jian, state councillor and minister in charge of state commission for science and technology, this afternoon

inspected the state garment design and processing technology research center and the 863 CANS [expansion not given] garment processing technology project. He stressed the need to step up efforts to promote the project, to reform China's garment industry, and to increase the added value of China's garment exports. (Beijing Central Television Program One Network in Mandarin 1100 GMT 26 Sep 95)

Hu Jintao, Peng Peiyun Greet Hospital Anniversary — The Beijing Hospital today held a meeting at the Great Hall of the People to mark the 90th anniversary of the founding of the hospital. Hu Jintao, member of the CPC Central Committee Political Bureau Standing Committee, and State Councillor Peng Peiyun attended the meeting to greet the occasion. Peng Peiyun spoke, praising the hospital for providing good health care for cadres and social services. (Beijing XINHUA Domestic Service in Chinese 1421 GMT 26 Sep 95)

'Chen Yun on Party Building' Published
HK2909020095 *Beijing RENMIN RIBAO* in Chinese
23 Aug 95 p 11

[Article by Editorial Group of "Chen Yun on Party Building": "A Powerful Weapon for Party Building — Written for the Publication of 'Chen Yun on Party Building'"]

[FBIS Translated Text] Synopsis: Comrade Chen Yun's thinking on party building forms an important component of the theory of party building in Mao Zedong Thought and the theory of building socialism with Chinese characteristics. It is the precious spiritual wealth he left for the party and the people.

— Comrade Chen Yun all along attached primary importance to the strengthening of party members' faith in communism in party building. He emphasized that while fighting for the concrete tasks of different tasks, party members should bear in mind at all times the far-reaching aims of communism.

— Comrade Chen Yun attached great importance to the development of the party's style of work. He pointed out: "The question of the style of work of the ruling party is a question with a vital bearing on the survival of our party." The relations between the party and the masses form the crux of questions of the party's style of work. The key to the rectification of the party's style of work lies in the improvement of party members' quality, particularly the quality of senior and middle-ranking party cadres. The rectification of the party's style of work must also be supplemented by inner-party supervision, disciplinary constraints, and even legal sanctions.

— Comrade Chen Yun all along grasped democratic centralism as an important task of party building. He maintained that when democratic centralism was practiced well, our party would prosper; otherwise our party would collapse. The basis of democratic centralism is that democracy must be fully developed in the party and that leading cadres must humbly listen to dissenting views. He emphasized that the whole party must be subordinated to the Central Committee and must defend and strengthen the authority of the party Central Committee with Comrade Jiang Zemin at the core.

— The question of building the ranks of cadres had always occupied an important position in Comrade Chen Yun's thinking on party building. He maintained that our general principle for the selection and promotion of cadres is that they must come from all corners of the country and must have both ability and moral integrity. In the criterion of selecting and promoting cadres who have both ability and moral integrity, he attached greater importance to moral integrity. On the training of cadres, he not only emphasized the need to undergo tempering in the course of actual work, but also put particular stress on the need to study philosophy and to strive to get the methods of thinking right. [end synopsis]

On the occasion of the 74th anniversary of the founding of the CPC, "Chen Yun on Party Building," compiled by the Central Party Literature Research Center, has come off the press. It is an important teaching material for the vast numbers of party members, particularly leading party cadres at all levels, to study the theory of party building. It is also a powerful weapon for the whole party to further strengthen party building under the new situation of socialist construction.

Whether during the period of new democratic revolution led by the CPC or during the new historical period after the party took over the helm of the state, especially after the commencement of reform and opening up, Comrade Chen Yun had made great contributions toward party building both in theory and in practice, and had put forward many ideas of far-reaching significance. His ideas summed up the experience of the CPC in self-development. They were important components of Mao Zedong Thought and the theory of party building in the theory of building socialism with Chinese characteristics. The present book includes 56 of his important works on party building written between 1933 and 1994, and embodies a concentrated reflection of the main substance of his thinking in this regard.

Strengthening Party Members' Conviction Is the Fundamental Guarantee for the Party's Fighting Capacity

Attaching priority to the strengthening of party members' communist ideology in party building is an important Marxist principle of party building; it is also a distinctive feature of Comrade Chen Yun's thinking on party building. In an article entitled "How To Be a Communist," written in the 1930s when he was director of the Central Organization Department, he put forward six criteria for party members, the first of which was that they must fight for communism all their lives. He said: The communist party is a political party which fights for the complete emancipation of mankind, for communism, and for the cause of the proletariat. Thus, a communist must understand the laws governing the social and historical development of mankind and must firmly believe that communist society will certainly become a reality one day. Only in this way will he be able to establish his outlook on life and fight for his beliefs to the end all life long. This view was upheld by Comrade Chen Yun from the 1930s all the way till the 1990s. After our country entered the new historical period of modernization, he pointed out: "During the period of democratic revolution, we conducted education on communist ideology among our party members and advanced elements of the masses. For this reason, our party was full of fighting capacity all along and achieved victory in the revolution. In socialist economic construction and economic structural reform, it is all the more necessary to have the spirit of dedicating oneself to the communist cause."

Comrade Chen Yun all along emphasized that party members must have firm conviction in communism, but this does not mean that he overlooked the party's specific fighting tasks in different periods. Rather, he wanted party members to combine the party's ultimate goal with the specific fighting tasks at all times, and never forget their ultimate goal when fighting for specific tasks. He pointed out: "A communist who is willing to devote himself to the communist cause should not only fight for the party's specific tasks in different periods, but must establish his revolutionary outlook on life by resolving to fight to the end for the realization of communism." It was precisely for this reason that during the Anti-Japanese War, Comrade Chen Yun kept saying that not every person who took an active part in fighting the Japanese could become a party member. A communist not only had to take an active part in fighting the Japanese, but must fight for communism. After entering the new historical period, our party laid down the basic line for the primary stage of socialism and the general principle for reform

and opening up, and decided on the strategic targets for economic development by three stages. Comrade Chen Yun also reminded the whole party in the nick of time by pointing out that "the economic construction which we are carrying out is socialist economic construction, and our economic structural reform is reform of the socialist economic system." "We must make all party comrades understand that what we are working for is the socialist cause, and that our ultimate aim is to achieve communism."

In the final analysis, strengthening party members' conviction in communism is intended to provide ideological guarantees for the nature of the party as the vanguard of the proletariat. Comrade Chen Yun believed that party members' "qualitative improvement is far better than their quantitative growth." He pointed out: Workers constitute the foundation of the party, but the communist party is not a "labor party." Not all workers can join the party. "Only those outstanding elements of the working class who have the highest awareness, who are most active, and who are most loyal to the working class" can become party members. He also pointed out: As for people of other class origins, the party will not refuse to admit them into its own ranks, but they must give up their old non-proletarian and non-communist stand. "The party resolutely opposes all ideas that do not maintain the purity of the party's composition, do not strengthen the backbone of the proletariat and do not take communism as their fundamental aim, but reduce the party to a 'national revolutionary alliance.' It also firmly embraces the idea that all party members must fight for the proletarian communist cause all their lives." In a speech entitled "On Two Tendencies Among the Party's Literary and Art Workers," Comrade Chen Yun criticized the erroneous idea of people who considered themselves to be "basically cultural workers who happen to be party members." He pointed out: Every party member, regardless of his work, should primarily be a party member. Only in this way will the party become a united, proletarian, and militant party. Otherwise the party will cease to be a party and will become "a union of various circles." In his speech at the Second Plenary Session of the 12th CPC Central Committee, he criticized the phenomenon of rural party members being compensated for loss of work time during training after the implementation of the system of contracted responsibilities on a household basis with remuneration linked to output. He pointed out: "Party members who received compensation for loss of working time should ask themselves whether this is in keeping with the criterion for communists. The criterion for communists is that they should spare no sacrifice and fight for communism all their

lives. I think those who demand to be paid for training and meetings cannot be communists."

To strengthen party members' conviction in communism, it is necessary to increase their understanding of Marxist ideology and theory. Comrade Chen Yun repeatedly emphasized this. He regarded studying the theories of Marxism-Leninism as one of the criteria for party members, and specially wrote an article on this, entitled "Study Is the Responsibility of Communist Party Members." In the article, he pointed out: "Many of our comrades think that they have fulfilled all their responsibilities to the party by working from morning till night. This way of thinking is not all-round. If we work all day and do not study and do not combine work with study, the meaning of work is not complete, and work cannot be continuously improved. The reason for this is that study is a condition, an indispensable condition in fact, for doing our work well."

On the question of strengthening party members' conviction in communism, Comrade Chen Yun attached great importance to the role of party branches at the grass-roots level. In an article entitled "Party Branch," he discussed the four tasks of party branches, the third of which is to educate party members. He pointed out: "Party branches are the most basic schools for educating and training party members." "In educating party members, party branches attach primary importance to basic education in communism to strengthen party members' revolutionary outlook on life." In this article, Comrade Chen Yun also pointed out: "Party branches are basic organizations of the party, the main source for the growth of the party's strength." "Party branches should be organized in all production grounds and work units, including factories, mines, railways, ships, farms, rural villages, barracks, shops, schools, and government offices." At present, primary party organizations are faced with many new conditions and new problems. Some of them are weak and lax, and some are in a state of paralysis. Some units do not even have party organizations. Studying again this article of Comrade Chen Yun's will no doubt be of great help to our present efforts to strengthen and improve the building of primary party organizations.

The Question of the Style of Work of the Ruling Party Is a Question of Life and Death for the Party

Comrade Chen Yun attached great importance to the question of the party's style of work as early as the period of democratic revolution. In 1939, our party established bases in the Shaanxi-Gansu-Ningxia border regions and had political power under its leadership. Comrade Chen Yun emphatically pointed out in an article entitled "Several Questions on the Building

of the Ranks of Cadres": "For a party that has political power under its leadership and a party that leads the army, self-criticism is of even greater importance. The reason is that once a party has wielded political power, it will inflict more direct and serious harm on the interests of the masses if it makes mistakes. When a party member violates discipline, he is more likely to arouse resentment among the masses. You have the gun and exercise power. The masses will not dare say what they have seen. Thus, we must set strict requirements on our party members and cadres and must always heed the opinions of the masses. When they have done something that encroaches upon the interests of the masses, they should be sternly criticized and even be given disciplinary sanctions. In dealing with people who break the laws, such as corrupt elements, it is also necessary to mobilize the masses to wage struggle against them and bring them to justice." In "Learning the Methods of Leadership," he pointed out: We must resolutely guard against and overcome bureaucratism. A big party in power and leading cadres are liable to become bureaucratic.

After the founding of the People's Republic, particularly after the implementation of the policy of reform and opening up, Comrade Chen Yun repeatedly reminded the party that it must not overlook the question of the party's style of work while concentrating its energy on economic construction. At the Fourth Plenary Session of the Seventh CPC Central Committee, he pointed out: "We cannot be blindly optimistic about conditions in the party after taking over power." The reason is that "during the Ruijin and Yanan days, it was very difficult for people to become corrupt, but now it is very easy to become corrupt." At the Second Plenary Session of the 12th CPC Central Committee, he further pointed out: After the party has taken over the helm of the country, leadership at all levels, from the central government to the local governments and from enterprises and public institutions to production teams, is placed in the hands of party members. Party members can abuse the power in their hands to feather their own nests. It was precisely with this in mind that he put forward the celebrated thesis of "the question of the style of work of the ruling party is a question of life and death for the party." His view was: It is not surprising to see negative phenomena in the course of reform and opening up. For instance, availing themselves of loopholes in reform and opening up, some party members, leading party cadre, and party and government organs may "refuse to obey orders and observe prohibitions strictly" and infringe upon the interests of the state for their units or for themselves. From the angle of party building, these are issues that merit great attention. Better management and education is needed.

Otherwise, these phenomena may spread unchecked and wreak havoc on our party's style of work and public morale. His thinking along these lines can be found in "Speech in Writing at the Third Plenary Session of the 12th CPC Central Committee," "It Is Necessary To Strengthen Education on Party Spirit Among Communist Party Members," "Put Equal Stress on Progress in Two Respects," "Speech at the National Congress of the CPC," and "It Is Necessary To Rectify the Phenomenon of Overlooking Cultural and Ideological Progress."

The relationship between the party and the masses is the core of the question of the party's style of work. Comrade Chen Yun believed that poor style of work would "cause the party to lose popular support." The CPC is a party that works for the interests of the people, and the foundation upon which the party relies to rule is popular support. If the party divorces itself from the masses, it will lose its basis for survival. Comrade Chen Yun frequently and repeatedly emphasized this. In "Consolidate the Party and Strengthen Mass Work," "Unfolding Mass Work Is the Core of Local Work at Present," "Mass Work in the Shaanxi-Gansu-Ningxia Border Region," and other articles, he pointed out: A party organization that is divorced from the masses cannot be a well-consolidated one. He exhorted party organizations at all levels and all party members to maintain close ties with the masses around them, understand the sentiments of the masses, heed the voice of the masses, and pay attention to solving the problems of vital concern to the masses. He said: We not only must help the masses solve big problems, we must also help them solve small problems. When these problems are properly solved, the masses will have greater faith in our party, and our party will command greater prestige among the masses.

"The key to rectification of the party's style of work lies in the improvement of party members' quality, particularly the quality of mid-ranking leading party cadre." This is an important principle put forward by Comrade Chen Yun for the rectification of the party's style of work. In order to seek personal gain, some party members have been "putting money above everything," showing no consideration for the interests of the state and the masses, and even violating discipline and law in recent years. He believed that an important reason for these malpractices was that these party members had wavered in their conviction in communism and flagged in party spirit, or perhaps had totally lost their faith in communism and lost their party spirit. The cropping up of these problems has to do with the fact that we have lost our grip on ideological and political work and weakened the role and authority of departments in charge of ideological and political

work. Thus, he pointed out: "Party organizations at all levels and the party discipline inspection departments cannot simply investigate cases of violations of law and discipline. For them, a more important task is to strengthen education in party spirit and on the need to consciously observe party discipline among party members."

In rectifying the party's style of work, it is not enough simply to strengthen ideological education and improve party members' quality. This must be supplemented by inner-party supervision, disciplinary constraints, and legal sanctions. Comrade Chen Yun pointed out: "There is no question of 'relaxation' where the principle of party spirit and party discipline are concerned. Without a good style of work in the party, reform cannot be carried out well. The communist party must uphold party discipline at all times, whether during the underground period or when it is at the helm of the state." He said: No matter who violates party and government discipline, he must be resolutely dealt with in accordance with party and government discipline. If he breaks the law, we recommend that he be dealt with in accordance with law. Discipline inspection committees at all levels must act in accordance with this principle. Failure to do so will constitute dereliction of duty. He also suggested that in those units and localities where evil practices were common, the party committees concerned, including discipline inspection committees, should be held responsible in addition to dealing with the evil-doers. In early 1982, after reading brief reports of letters and visits reflecting the rampant smuggling activities in some parts of Guangdong, Comrade Chen Yun immediately gave this instruction: Toward people guilty of serious economic crimes, it is necessary to mete out severe punishment to some of them, sentence some to prison terms, and even execute some who commit the most heinous crimes, and to publicize these measures in the newspaper. Otherwise it will not be possible to rectify the party's style of work. After that, under the leadership of the party Central Committee, a special nationwide struggle was waged against unlawful and criminal acts in the economic sphere, and notable results were achieved.

To exercise effective supervision, strictly enforce discipline, and do things according to law, it is necessary to take up the weapon of criticism and self-criticism. Comrade Chen Yun wrote many articles on this issue. In his "Speech at the Meeting of Senior Cadres of the Northwest Bureau," he pointed out: In our struggle against various erroneous tendencies, we must also wage a struggle against our own mistakes. This is called self-criticism. Without it, our party cannot be run well. We do not tolerate unprincipled peace within

the party, nor do we tolerate mutual shielding. Two of his famous sayings on this were "We should stress the truth rather than people's sensibilities" and "We have to look at the facts rather than one's reputation." After entering the period of modernization, he again reminded that we must guard against the loss of this weapon of self-criticism. He said: "Under the influence of the 'Left' guiding ideology in the past, we put excessive emphasis on the philosophy of struggle and waged struggle against those who should not come under struggle, often raising minor issues to the higher plane of rights and wrongs between the two lines. Another tendency that has just emerged is fear of contradictions, of struggle, and of offending others. If we merely address this problem from the angle of upholding discipline, I do not think it is sufficient. I think we should raise it to the higher plane of strengthening the party ideologically and organizationally. We must advocate upholding one's principle and upholding the spirit of yes is yes and no is no." He also pointed out in particular that cadres engaged in discipline inspection work should be people who can uphold their principle and dare to wage struggle against unhealthy tendencies rather than nice guys who "try to smooth things over" and act the peacemaker on questions of principle.

In the rectification of the party's style of work, Comrade Chen Yun always attached importance to the exemplary role of leading cadres. He said very early on that criticism and self-criticism should start from leaders: They must examine and see what shortcomings and mistakes they have. We cannot just talk about the shortcomings of those below us. When the mistakes of those at the top have been rectified, things can be easily handled at the lower levels. After the commencement of reform and opening up, he again pointed out: "Leading cadres at all levels, particularly top-level leading cadres, must attach importance to" the rectification of the party's style of work. "They must truly set an example with their own words and deeds." "I hope that all top-level leading cadres of the party will set a good example for the whole party on the question of the education of their children." In January 1986, Comrade Chen Yun read a report which disclosed that some leading cadres were replacing their cars with luxury sedans against regulations. In his comment on the report, he wrote: "The Central Committee urges all party, government, and military organs in Beijing to set an example in bringing about a fundamental turn for the better in the party's style of work and in the general mood of society. I suggest that comrades of the Central Politburo and Secretariat and the State Council should set an example first. No matter who they are, they should return all cars given as presents by others (or units) or replaced (except those issued by administrative organs),

and should continue to use cars originally issued. On this question, it is better to offend a few people than to do nothing and be cursed by the masses." This comment has been included in the book and given the title "Leading Cadres Must Set an Example in the Rectification of the Party's Style of Work."

Whether leading cadres set an example not only determines whether the party's style of work can be rectified, but is itself a question of the party's style of work, that is, whether it can match words with deeds. In the article entitled "Party Members Must Be Honest to the Party," Comrade Chen Yun said: "Our communist party is a party that matches words with deeds." In another article, entitled "Why Was It Necessary To Expel Liu Ligong [0491 0500 0501] From the Party," he also pointed out: We cannot sound justified and confident when criticizing others for not observing discipline but do the exact opposite when implementing the party's decisions ourselves, as if the party's discipline is written for others and they can be exempted. The Party Constitution stipulates that strict adherence to party discipline is the highest responsibility of all party members and party organizations at all levels. Here, "all party members" refers to Central Committee members as well as ordinary party members, and old party members as well as new party members, and "party organizations at all levels" refers to the Central Committee as well as party branches. He said: "In a nutshell, we will not tolerate any 'special persons' or 'special organizations' in our party that do not observe discipline. We must be the first to observe discipline." Comrade Chen Yun not only said this, but he lived up to what he taught. On the eve of nationwide victory of the revolution, he observed with keen insight that the party would be faced with new tests after taking over the helm of the state. In his letter to his nephews and cousins, he exhorted them with these sincere words: "You must never pose as descendants of people who have rendered meritorious services to the revolution." "Communists stand as equals of the common people before the law. They are also models in abiding by the law." "You must keep your nose clean, cherish your good name, and must not do anything against the law." This was what he taught his relatives. It was also what he taught the vast numbers of cadres and their children. Although nearly half a century has elapsed, we still feel as though we have been awakened by an alarm reading these remarks today.

Whether Democratic Centralism Is Strictly Put Into Practice Has a Vital Bearing on the Success or Failure of the Party's Cause

Comrade Chen Yun always held that democratic centralism is a system of our party, and doing things in accordance with the principle of democratic centralism should be a common practice of our party. When democratic centralism is properly put into practice, our party will flourish. Otherwise, our party will collapse. After the Third Plenary Session of the 11th CPC Central Committee, Comrade Chen Yun summed up past experience and lessons and repeatedly emphasized the important significance of practicing democratic centralism. In his speech at the first plenary session of the Central Discipline Inspection Commission, he pointed out: The Third Plenary Session and subsequent work meetings of the Central Committee truly brought about "a lively political situation where there is both centralism and democracy, discipline and freedom, unity of ideas, and personal ease of mind" as Comrade Mao Zedong advocated. This practice must be spread to the whole party, the whole army, and the people of all nationalities. "This is the most important task for the whole party." When examining the draft political report of the 12th National Party Congress, he said these meaningful words: "Democratic centralism and collective leadership have disappeared in the party. This is a fundamental reason for the 'Cultural Revolution.'" In December 1982, he brought up at the Enlarged Meeting of the Central Committee Political Bureau the case where a comrade was criticized for making known to the Central Committee through his party organization his difference of opinion on a certain policy. He pointed out: "It was only after the Third Plenary Session of the 11th Central Committee, when an atmosphere of democratic centralism started to develop in the party, that comrades dared to voice their differing views. In this connection, we have had a hard time when 'what I say goes' was practiced." At the National Party Congress in 1985, he again solemnly pointed out: "Historical experience proves that democratic centralism is easy to practice. We hope that up-and-coming middle-aged and young cadres of leading bodies at all levels will pay attention to mastering the method of doing things according to the principle of democratic centralism."

The basis for practicing democratic centralism is to give full play to democracy within the party. Comrade Chen Yun had said and written a great deal on this. In his article entitled "Strengthening Inner-Party Life," he pointed out: "Democracy not only has general requirements, but has special requirements under present circumstances. Without exchanges of opinions it is

impossible to achieve centralism, and there will be mistakes even if there is centralism in form." He also had the following to say in "Strictly Abiding by the Party's Discipline": "Discipline and freedom are a unity of opposites. A proletarian party should be a most well-disciplined party as well as a party that puts the greatest stress on democracy and freedom." To effectively guarantee inner-party democracy, Comrade Chen Yun attached great importance to the building of a democratic system. In another article, entitled "Investigation and Study and the Question of the System of Inner-Party Democratic Life," he pointed out: "Inside our party, we must stress the need to practice a system of democratic life. Rules must be laid down on how often the Standing Committee should meet and how often the Political Bureau should meet. Standing Committee meetings, Political Bureau meetings, and Enlarged Political Bureau meetings should be held separately. This is inner-party democratic life."

To carry forward democracy, leading cadres must listen to dissenting views with an open mind. Comrade Chen Yun said: Leading cadres must pay particular attention to remarks from the opposite side. The reason is, "concurring views can be heard easily because everyone dares say them, but dissenting views are not easy to hear because people do not dare say them because leading cadres often do not have an open mind." To help leading cadres resolve this problem, Comrade Chen Yun expounded on the question from different perspectives. He said: First, we must understand the advantages of listening to dissenting views. He said: The difficulty lies in finding out the real situation, not in deciding on policies. To find out about the real situation, we must exchange views with others more often and collect opposing views. Correct opposing views can make up for our inadequate understanding of objective things, and even incorrect opposing views can help deepen our understanding of objective things in the course of refuting them. "Even money cannot buy people who hold opposing views. Opposing views can give us food for thought." If there are no dissenting views, we should also invent for ourselves an opposite side and an "opponent." He also said: Many of our cadres love to hear good words about them. If you say they are good, they feel comfortable. Otherwise they get mad. "Actually people who only say good words are flatterers, and patting a horse on its hindquarters is decidedly not a good thing. Only those who criticize you frankly are good people, and only people like them can be considered revolutionary comrades." Second, we must allow others to say the wrong things. He often said that we cannot avoid saying the wrong things at times, and that it is impossible not to say anything wrong. We are not afraid of people saying the wrong things in the party.

Our worst fear is that they do not say anything. "If it is dead quiet and people have nothing to say, then it is really bad." Third, we must pay attention to our method and attitude of listening to opinions. He said: To encourage others to speak up, leaders must have a good attitude. If they put on airs and appear like the devil incarnate, people will not dare get near them and will forget most of the words even when spoken to. Also, the forms of meeting should not be too rigid. Visitors should be allowed to argue casually and heatedly.

With democracy alone but no centralism, the party will lose its fighting capacity. Comrade Chen Yun pointed out: "If our party has no discipline, there will be no end to arguments. How can we achieve unity politically, organizationally, and in action, and how can our party, country, and we ourselves not face destruction this way?" To practice centralism, individuals must be subordinated to the organization, the minority must be subordinated to the majority, the lower levels must be subordinated to the higher authorities, and the whole party must be subordinated to the Central Committee. He said that none of these "four subordinations" can be omitted. They are all unconditional. "This is our party's iron discipline, the powerful weapon for strengthening inner-party life and increasing the party's fighting capacity." What happens if the decisions made by party organizations, the majority, the higher authorities, and the Central Committee are not correct, or not completely correct? He said: "We should submit to them in action, but at the same time we should make suggestions or reserve our opinions according to our rights as stipulated in the Party Constitution." What if the higher authorities are weaker than ourselves? He said: "You should also submit to them. If we cannot do this, our party will collapse. The reason is that if everyone thinks that he is capable and that his views are correct, and there are no constraints, then everyone will submit only to himself and will not submit to anyone else. It will be impossible to achieve unity in the party this way." What if one's suggestions are vetoed? He said: "It is precisely when our suggestions are vetoed that it is important to observe discipline."

Among the "four subordinations," Comrade Chen Yun put special emphasis on the whole party subordinating to the Central Committee. The last article in the book, entitled "It Is Necessary To Safeguard and Strengthen the Authority of the Party Central Committee," is the gist of discussions between Comrade Chen Yun and leading comrades of Shanghai during the Spring Festival in 1994. During the meeting, he clearly pointed out: "First of all we must safeguard and strengthen the authority of the Party Central Com-

mittee with Comrade Jiang Zemin at the core. Without the authority of the Central Committee, we will not be able to achieve anything important, and we will not be able to maintain social stability." To safeguard the authority of the Central Committee, it is necessary to safeguard the solidarity and unity of the party. In the article entitled "Senior Leaders Must Raise Their Revolutionary Awareness," Comrade Chen Yun pointed out: In protecting the party's solidarity and guarding against splits, "the key lies with the hundreds of senior leaders, namely cadres at and above the level of provincial (municipal) party secretaries and leading cadres of the army. If these several hundred people have a high revolutionary awareness and keen revolutionary acumen, it will not be difficult to expose the likes of Li Guotao [2621 0948 3614] or Wang Guotao [3769 0948 3614]." He said: This is a "reliable and ever-lasting method that can be passed on from generation to generation."

Resolving the Question of Cadre Succession Is an Important Task Before the Party

The question of building the ranks of cadres occupied an important place in Comrade Chen Yun's thoughts on party building. The changing of the guard between old and new cadres, the selection and nurturing of middle-aged and young cadres, and the question of the structure of the cadre echelon were questions of particular concern to Comrade Chen Yun. During the early days of the Anti-Japanese War, he incisively pointed out: "Unless we have large numbers of new cadres to reinforce our cadre ranks, our revolutionary cause will come to a standstill and we will not be able to defeat Japanese imperialism." On the questions of new cadres being tactless, inexperienced, and not up to the mark compared with veteran cadres, he said: "Veteran cadres are tempered from new cadres, and experienced cadres were inexperienced at the beginning. Through tempering, new cadres will develop from inexperienced and tactless cadres into experienced and tactful ones. As for qualifications, cadres who are not up to the mark do not necessarily perform badly." After the Third Plenary Session of the 11th CPC Central Committee, with the aging of the cadre ranks in mind, he made appeals again and again for the whole party to exert greater efforts to tackle the problem of not having enough younger and trained cadres to take over from the veteran cadres. Articles such as "Promoting and Cultivating Middle-Aged and Young Cadres Is a Task of Top Priority," "Promoting Middle-Aged and Young Cadres by the Thousands," "Speech at the 12th National Party Congress," "Training Leading Party and Government Cadres Who Are Revolutionary, Younger in Age, Better Educated, and More Professional," and "Modernization and the Cultivation of Successors" all

deal with this question either in their entirety or in part. He pointed out: "If this problem is not resolved now, or not properly resolved, the communist cause in China will experience ups and downs."

Every time Comrade Chen Yun discussed the need to select and promote large numbers of outstanding middle-aged and young cadres, he also emphasized the need to master the principle and criteria for the proper selection and promotion of cadres. In his words, "they have to come from all corners of the country and must have both ability and moral integrity. This is general overall principle for the selection and promotion of cadres." He pointed out: "When we employ cadres, we must employ them from all corners of the country and must even employ cadres we do not know well." Concerning the criteria for the selection and promotion of cadres, Comrade Chen Yun put forward the following four criteria in the article "On Several Questions Concerning Work Among Cadres": First, be loyal to the cause of the proletariat and to the party; second, maintain close ties with the masses; third, be able to independently make decisions regarding the direction of work and assume responsibility; and fourth, observe discipline. Concerning the criterion all along advocated by the party that cadres should have both ability and moral integrity, Comrade Chen Yun attached special importance to moral integrity. In the above-mentioned article, he clearly pointed out: "We should stress both ability and moral integrity, taking moral integrity as the main element." In 1982, after a lapse of 42 years, he reiterated this idea at the 12th National Party Congress. He said: "On the one hand, we must boldly and quickly promote middle-aged and young cadres; on the other hand, we must strictly observe political criteria. We should attach greater importance to moral integrity than to ability. In other words, we must promote people who are strong in party spirit, healthy in their style of work, and bold in upholding principles." In the light of misconceptions concerning the criteria for the selection and promotion of cadres which came to the surface in the wake of reform and opening up, Comrade Chen Yun unequivocally pointed out: "These days some comrades often talk about the need to have enterprising cadres. Well, we do need enterprising cadres. However, we must first of all emphasize the need to have moral integrity and party spirit. Cadres must have both ability and moral integrity. While ability is essential, moral integrity comes first." According to Comrade Chen Yun, "ability" and "moral integrity" cannot be treated as abstract terms in isolation from each other. He said: Ability does not refer to abstract ability, and moral integrity does not refer to abstract moral integrity. When judging whether a cadre has ability and moral integrity, we should mainly look at his performance in

fulfilling his duties. Moral integrity and ability cannot be separated. Moral integrity that cannot accomplish revolutionary tasks is incomplete moral integrity./

In addition to the selection and promotion of cadres, Comrade Chen Yun also attached great importance to the training of cadres. In his opinion, the principal means of training cadres was to temper them through actual work. He said: "Where does experience come from? Where else if not actual work? We should appoint outstanding middle-aged and young cadres to positions of responsibility in actual work and let them take up responsibility. After this kind of tempering for three to five years, or at the most 10 years, they will definitely become useful persons." In doing actual work, Comrade Chen Yun attached special importance to work at the grass-roots level. In 1942, he pointed out in the "Decision on the Tempering and Employment of Several Types of Cadres in Yanan" drafted by the Central Organization Department: "Some of those cadres who spent long years working in top-level leading organs and who have not gone down or have rarely gone down to work at the lower levels should be transferred to work at the lower levels provided that this does not affect work in their organs."

While emphasizing the need to train cadres through actual work, Comrade Chen Yun all along advocated the need for cadres to find time to study. In particular, he stressed the need to study Marxist philosophy. He said: "In studying theory, the most important thing is to get the method of thinking right. Thus, it is necessary first to study philosophy and learn the correct method of thinking in observing things." In his comments on the draft of the "Resolution on Certain Questions in the History of Our Party Since the Founding of the PRC," he pointed out: "The reason we made mistakes in our work after the founding of the PRC was that we departed from the principle of seeking truth from facts. Advocating the study of philosophy in the party among our cadres and young people has fundamental significance. Many of our cadres have no knowledge of philosophy, and it is thus necessary to make improvements in the method of thinking and method of work." On the eve of the 13th National Party Congress, Comrade Chen Yun was convinced that under the new situation the whole party still had the pressing task of learning to apply the stand, viewpoint, and method of Marxism-Leninism-Mao Zedong Thought to analyze and solve problems. Thus, he once again solemnly pointed out: "To lead our party and state well, the most important thing is to correct the method of thinking on the part of our leading cadres. This requires that they study Marxist philosophy." He said: "The study of philosophy can open one's mind. A solid study of philosophy will bene-

fit us all our lives." To help cadres understand the ideological line of seeking truth from facts, he also spoke of his 15-character understanding on "do not believe completely in the higher authorities and in books, believe only what is true, compare notes, make comparisons, and practice repeatedly."

In the selection and training of cadres, Comrade Chen Yun also attached great importance to the following two issues:

The first is the need to strictly implement the party's policy toward cadres. In the article entitled "On Cadre Policy," Comrade Chen Yun summed up cadre policy in 12 characters: understanding, broadmindedness, proper employment, and a willingness to cherish others. He pointed out: "In selecting and promoting cadres, it is necessary to make an all-round assessment of their moral integrity and ability. Once they are selected and promoted, it is necessary to help them in every way so they do not fall. All problems that cause uneasiness on the part of cadres must be patiently and thoroughly resolved. When the political life of a cadre is at stake, the situation must be handled in all seriousness and with great prudence. Toward cadres, we must not resort to 'flattery' but must seek truth from facts. Only when all this is done can we say that we are truly cherishing others." This idea of his also found vivid manifestation in the articles "Uphold the Principle of Rectifying All Mistakes" and "Suggestions on the Trial of the 'Two Cases.'"

The second is the need to correctly implement the party's policy toward intellectuals. Comrade Chen Yun pointed out: "The selection, promotion, and training of middle-aged and young cadres invariably involve the question of our attitude toward intellectuals. During the decade of internal turmoil, intellectuals were referred to as 'the stinking ninth category.' Although this viewpoint has already been criticized, the party's policy of recruiting party members and selecting and promoting cadres from among intellectuals is still a long way from being fully implemented." He said: "The present situation is that intellectuals are often rejected when they apply for party membership. Many intellectuals had been trying for a long time to join the party but were only posthumously conferred party membership after they had made contributions and later died. This situation must be resolutely changed." Setting great store by intellectuals, including those outside the party, was constantly on Comrade Chen Yun's mind.

Comrade Chen Yun's thoughts on party building were profound and rich. These thoughts, just like his economic thoughts, left the party and the people precious spiritual wealth. At present, the party is continuing

its efforts to implement the "Decision on Several Major Questions on the Strengthening of Party Building" adopted by the Fourth Plenary Session of the 14th CPC Central Committee. The publication of "Chen Yun on Party Building" will be of great help to the vast numbers of party members, particularly leading party cadres at various levels, in studying and mastering the theory of party building, and will therefore be conducive to the further implementation of the guidelines of the Fourth Plenary Session.

Forum Proposes TV To Publicize Deng Theory
*OW2909105295 Beijing XINHUA Domestic Service
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[FBIS Translated Text] Beijing, 24 Sep (XINHUA) — How can television, the powerful modern media, be more effectively utilized to publicize well the Deng Xiaoping theory of building socialism with Chinese characteristics [deng xiao ping jian shen you zhong guo te se she hui zhu yi li lun 6772 1420 1627 1696 6080 2589 0022 0948 3676 5331 4357 2585 0031 5030 3810 6158] From 20 to 23 September, the CPC Central Committee Propaganda Department and the Ministry of Radio, Cinema, and Television cosponsored a forum specifically to address the question of using TV to publicize the theory in Beijing. Relevant senior officials from some provincial, municipal, and autonomous regional party committees' propaganda departments and TV stations attended the forum.

Executive Deputy Director Zheng Bijian and Deputy Director Liu Yunshan, of the Central Propaganda Department; and Yang Weiguang, vice minister of radio, cinema, and television and concurrently director of the Central TV Station, attended and spoke at the forum.

The forum held: A good start has been made in using TV to publicize the theory. Progress made in the work of arming the people with the theory and the practice of reform and construction, on the one hand, has set new and higher requirements, and, on the other, provided an extremely favorable opportunity and conditions for using TV to publicize the theory. What is important now is to enhance the understanding and, centering around the task of arming the people with the theory and the overall context in the party's work, to adopt practical and effective measures to increase the use of TV to publicize the theory so as to push the work of TV publicity of the theory to new heights.

In his speech, Zheng Bijian emphasized: We should seize the opportunity to promote the study of the theory in depth and breadth by publicizing it with sight and sound. The theory's vitality lies not only in its scientific nature, but also in that it is familiar to the

masses and, therefore, it can be mastered by them and become a guide of their actions. The Deng Xiaoping theory of building socialism with Chinese characteristics originates from the masses' practical experiences. We must publicize the theory well so that it can strike deep roots in the hearts of the masses and can be handed down from generation to generation.

Zheng Bijian pointed out: As an important means of publicizing the theory, TV covers a wide range of areas. The strong appeal of images it transmits has given TV an unparalleled edge over other media. By explaining the profound theory in simple language through vivid images on the TV screen, we can enhance the theory's appeal and persuasiveness. Zheng Bijian urged all local propaganda departments and radio and TV departments to enhance the understanding and to regard effective publicity of the theory as an important criterion for evaluating the quality of TV publicity, as well as the quality of publicity by all media. We should pay as much attention to theoretical publicity as to theoretical study; to TV publicity as to press publicity of the theory; and to theoretical programs as to popular TV programs. In a nutshell, we should conscientiously perform our duties in exercising leadership and coordination, and work hard to achieve progress and to turn out best-quality products.

Yang Weiguang called on all local TV stations to place TV publicity of the theory as an important item on their agendas. Both central and provincial-level TV stations should create the conditions for gradually setting up programs publicizing the theory. It is necessary to further explore ways for publicizing the theory and improve the quality of publicity, striving to present programs that are scientific and accurate as well as popular, entertaining, and diversified; and programs that are philosophic, systematic, and relevant. We should increase training and exchange, and gradually establish a contingent of theoretical publicity personnel well-versed in both the theory and TV as a profession. We should improve planning and coordination, and concentrate resources to produce a number of best-quality products, thereby bringing into play TV's important role in theory publicity.

Science & Technology

Zhu Rongji on Need for Technology, Efficiency
*HK2809024595 Hong Kong WEN WEI PO in Chinese
14 Aug 95 p A3*

[Full Text] of speech by Zhu Rongji at national conference on science and technology; place and date not given: "Zhu Rongji on Guidelines for Ninth Five-

Year Plan — Originally Carried in 'Documents for National Science and Technology Conference'"

[FBIS Translated Text] Editor's note: Zhu Rongji, member of the CPC Central Committee Political Bureau Standing Committee and vice premier, delivered a speech on the guidelines for the "ninth five-year plan" at the national science and technology conference. Following is the full text of the speech, which was not published at that time. [End editor's note]

Since Comrade Zemin and Li Peng have given important speeches on stepping up scientific and technological progress, I would like to speak about my personal understanding of the matter in connection with my study of Comrade Deng Xiaoping's thinking on promoting scientific and technological progress.

1. Economic Construction Must Draw Strength from Science and Technology

At the science conference on 18 March 1978, Comrade Xiaoping said that "the key to the four modernizations lies in the modernization of science and technology" and pointed out that first of all it is necessary to realize that "science and technology constitute a primary productive force." On 14 October 1982 when talking with comrades in charge of the State Planning Commission about planning, Comrade Xiaoping said that "the development and the role of science and technology are endless." On 7 March 1985, Comrade Xiaoping called for efforts to "further resolve the problem of integrating science and technology with the economy." On 18 October 1986, Comrade Xiaoping pointed out that "China could go nowhere without science." In the period from 5 to 12 September 1988, Comrade Xiaoping said: "In my view, science and technology are part of the primary productive forces"; "From a long-term perspective, we must attach importance to education and science and technology. We have delayed development for 20 years. If we should delay another 20 years, the consequences would be unimaginable." During his inspection tour to southern China in 1992, Comrade Xiaoping said once again: "It is necessary to rely on education and science and technology to speed up economic development"; "We must encourage scientific development and pin our hopes on science."

Comrade Xiaoping, who stands high and sees far, has earnestly instructed us on many occasions, but we have not followed him well enough. We are still accustomed to the beaten path, considering the case as it stands and not having a broad vision. In the course of formulating the "Ninth Five-Year Plan," I realized that if we did not update our concepts and approach the issue from the necessity of pinning our hopes on science as instructed by Comrade Xiaoping, the "Ninth Five-Year Plan" could

not solve any problems or even bring harm to future generations.

Comrades Zemin has given many instructions concerning formulation of the "Ninth Five-Year Plan" and Comrade Li Peng has also made many speeches on this topic. I would like to advance three views.

First, the "ninth five years" is the last period during which we must attain the second-step strategic objective. To achieve this objective and to attain a new high in economic development, instead of mainly relying upon a bigger input or more new projects, we must mainly improve the quality and efficiency of economic growth, give play to the potential of existing enterprises, and turn items under construction into productive forces by putting them into operation as soon as possible. Naturally, we hope to build up greater power for sustained economic development, so we need a certain amount of input in the "Ninth Five-Year Plan." But we will make the investment to build up strength for economic development for the five or 10 years following completion of the "Ninth Five-Year Plan." The projects under construction are valued at several thousand billion yuan and we will not be able to complete them in several years. If we continued to launch new projects, we will not enjoy a positive cycle of investment because we do not have sufficient funds. Consequently, projects will remain uncompleted for a long time and thus constitute a heavy burden. Therefore, we should focus on completing items under construction in the "Ninth Five-Year Plan" and launch fewer or no projects if funds are not available. This will not affect our effort to attain the second-step strategic objective, but rather will provide a favorable environment for sound economic growth in the next century.

Second, we must rely upon science and technology for a sustained and stable development of the national economy. Rapid economic growth based on backward technology will not last long nor will it be sound. If we did not work out accounts with the assistance of the existing technologies, monetary and financial collapses would be inevitable, because though our construction projects were of a large scale and needed a lot of money, the output would be very little and the efficiency poor. In our socialist country, it is easy to achieve fairly rapid economic growth. Government intervention can play a big role in this respect. But it is very difficult to avoid financial deficits and inflation while enjoying rapid economic growth. You cannot achieve a really "sustained, rapid and healthy" economic development before you enjoying fairly rapid economic growth and a basic balance of financial revenue and expenditure and keep inflation at a level acceptable to the people. According to our estimate, we need 120 million tonnes of steel and 1.2

billion tonnes of coal in 2000. These figures are based on present quotas. Our comprehensive energy consumption needed for the GNP is five times that of Japan and 2.6 times that of the United States. Can we go on this way? Our products are clumsy and inefficient and we need to consume a lot of raw and semi-finished materials and energy to produce them due to our backward equipment. Based on this consumption, we can calculate the amount of energy and raw and semi-finished materials and the number of infrastructural items we need. According to this calculation, we need to inject 1,000 billion yuan. Again, we need to issue 600 billion yuan worth of state treasury bonds to cover the financial deficits. How could we dispose of the bonds? In my view, we must effect a basic change in our concepts and act according to Comrade Xiaoping's thinking. We must bring planning into line with scientific and technological progress, reduce the weight and size of our products, apply information technology to our production and operations, and develop products that yield high added value and are produced with advanced technology. All walks of life must carry out technological transformation and gradually catch up with advanced world levels in the technical performance of their key products and the efficient use of energy and raw and semi-finished materials. If we failed to proceed in this direction, the "Ninth Five-Year Plan" will be no more than a table of items and we will suffer in the end.

Third, we must define the growth rate of the "Ninth Five-Year Plan" in light of industrial restructuring. There should not be excessive industrial growth, because if we mainly relied upon state investment for development, the amount would be too much for our country, especially in the period before we have completed state enterprise reform. The tertiary industry should be vigorously developed while primary industry must not be ignored. The tertiary industry, which requires less input, yields greater economic results, and promises higher output, has much potential to be tapped. China's tertiary industrial output only accounts for 30 percent of GNP while the figure reaches 50 to 60 percent in developed countries. We should make an earnest analysis of the secondary industrial restructuring. We should develop those technically advanced industries and give up technically backward ones so that our national economy will advance rapidly.

According to Comrade Xiaoping's thinking, we should regard enterprises' technological renovation as an important part of the task of instituting the modern enterprise system and a key link for enlivening state enterprises. In the last two years we have put undue emphasis on changing state enterprises into joint-stock businesses or into corporations, which of course also represents

a useful exploration, to the neglect of improving enterprises' internal management and promoting technological progress. Many enterprise leaders are devoting their energy to three things. One, advertising. At present much prime viewing time is occupied by cigarette and wine advertisements. Some "entrepreneurs" owe their fame to advertisements and public relations. Two, introducing the joint-stock system and raising funds in various names. Their efforts, however, have not yielded results. Three, setting up joint-venture enterprises. They went to Hong Kong or foreign countries to offer projects for foreign investment. A joint-venture enterprise, once it is set up, receives favorable tax treatment, the salary of the director increases by several or even a few dozen fold and payments to workers also increase considerably.

Enterprise reform must follow a correct orientation this year. Leaders at all levels must concentrate their energy on reorganizing and supervising the enterprise leading body, but they must not in any way interfere with the enterprise's management autonomy. They should separate the functions of the government from those of the enterprise. Really competent people rather than those who can only talk big and swindle and bluff everywhere should be promoted. Enterprise leaders should be judged by their economic efficiency and achievements. They should be required to do a good job in internal management. Mismanagement proves the incompetence of the leading body. Some enterprises distribute bonuses at random and manage operations and production in an undisciplined way. If the director tries to get along with everyone at the expense of principle, does not dare to strengthen labor discipline and exercise quality control, sells inferior products, refuses to apply advanced science and technology to production, diverts funds for technological transformation and development to speculation in real estate or bonds or bonus grants, state-owned enterprises will go nowhere.

2. Science and Technology Must Be Geared to Economic Construction

We have repeated numerous times Comrade Xiaoping's thesis that science and technology must be geared to economic construction. But the thesis has not been fully implemented so far. Of course the system is also to blame. Historically we copied the system from the Soviet Union. We were right in many respects in learning from the system and thus made achievements and raised economic efficiency. But the principal drawback of the system is that it is disadvantageous to the combination of scientific research with production and of scientific research institutes with enterprises. It is very difficult for scientific research institutes and enterprises

to cooperate with each other. For instance, if they succeeded in jointly developing a product, the scientific research institute would complain that the enterprise had forsaken them while the enterprise would also complain, saying the scientific research institute had run an enterprise themselves to displace them. Evidently, we should see to it that enterprises play a leading role in technological development. If the scientific research institutes continue to live on government support and scientific and technological personnel refuse to serve enterprise, it will be very difficult to achieve the combination of science and technology with the economy. The "Decision" has clearly provided that a number of scientific research institutes must live on government support and there is no problem with this. The majority of scientific and technological personnel responsible for technological development, however, must stay in enterprises. We must proceed in this direction; otherwise, it would be difficult to really integrate science and technology with the economy and to improve the quality and efficiency of economic growth by applying advanced science and technology.

Surely this involves many difficulties. Those who live on government support are reluctant to enter enterprises because they do not feel secure enough. The enterprise might look prosperous today, but it might not be able to pay out wages tomorrow. So these people consider it better to serve state organs. Therefore, we must do a good job in running a number of major enterprise groups, which enjoy stable development, before we can set up a technological development organ to world levels.

Comrades from the State Science and Technology Commission asked to speak about what scientific and technological personnel should target in serving production. I am most concerned about agriculture, because it presents the most important and urgent issue in our national economy. There is too little farmland, the population is growing too fast, the economic growth rate is staggering, and the people's living standards are improving rapidly. We ran short of 30 billion jin of grain last year due to disasters. We will make up for the 30 billion jin of grain reserved for special purposes by exporting less grain and importing more grain this year. So, in my view, agriculture is the most important sector in our national economy. When the Engineering Research Institute was set up, I suggested to the vice president that they should have a department engaged in agriculture. In the "Decision on Stepping up Scientific and Technological Progress" adopted by the CPC Central Committee and the State Council, the first article states that science and technology constitute the primary productive force and the second stresses the need to promote

agriculture and scientific and technological progress in rural areas, hitting the nail on the head. We should always rely upon science and technology for agricultural development. Comrade Xiaoping said long ago that it is necessary to rely upon bio-engineering to solve agricultural problems. We must not forget his remark. The improvement of grain strains has contributed a lot to raising per-unit yield over the last 10 years, but greater potential remains to be tapped. At present, the low-yield field constitutes a fairly big proportion and our per-unit yield based on area under cultivation is only 500 jin, which is still low, so there is still great potential for our agricultural production. We presently apply fertilizers and irrigate crops in an arbitrary way. Under such a situation, if we were only busy with construction of major irrigation works and chemical fertilizer plants, we would have to spend a lot of money but would be unable to increase output. We should apply fertilizers and use water in a reasonable way and economize on fertilizers and water. In this respect, many technical problems remain to be solved.

Just as I said earlier, all walks of life must consider adopting information and electronic technologies as soon as possible in the "Ninth Five-Year Plan. I am especially concerned about the struggle against tax evasion, a problem which cannot be solved without computerization of the banking system. The Space Company and the Electronics Industry Ministry are jointly developing an electronic cross auditing network [jiao cha ji he dian zi wang luo 0074 0643 4472 2702 7193 1311 4986 4820] and a false-identifying system [fang wei shi bie xi tong 7089 0298 6221 0446 4762 4827]. Without high technology, there would be no guarantee for financial and tax reforms. Comrade Zemin has said on many occasions that the era is gone when we have to put our banknotes in a big gunny-bag. Everyone will have to settle accounts by means of bills and credit cards and through banks. We cannot achieve this without a nation-wide information network. What about the debt chains—debts owed by enterprises to each other? Some enterprises do not pay off their debts even if they have money. They open multiple accounts with the bank and this makes it impossible to debit their accounts. Comrade Li Peng recently decided to set up a nation-wide account network for 1,000 state enterprises, whose taxes and profits account for 60 percent of the total due to the state. For those economic entities which are not covered by the network for the time being, we can urge them to pay taxes and profits due to the state by making telephone calls and sending faxes. With 1,000 enterprises covered in the network, we can identify any enterprise with multiple accounts and fairly easily solve the debt chain problem. This is a major project. I feel we now have too many key

problems to tackle. Once a key problem is solved, efficiency will be boosted. I believe if all key problems were solved, the money saved would be more than 10 times the existing expenditure on scientific research institutes. With that money, there would be an ample scope for the abilities of the large numbers of scientific and technological personnel. Of course we will still have to carry out research in basic science and develop high technology. Comrade Xiaoping once said that we must not lose time in developing high technology and must spend the money that should be spent. We must make arrangements as soon as possible. If we started a little later, we would lag much farther behind and would have to spend more money.

3. It Is Necessary To Foster and Use Qualified People

Comrade Xiaoping attaches great importance to fostering and promoting qualified people. This position of his almost runs through all his works, in which many articles touch upon the subject. At the 1978 national science conference, he proposed building up a strong politically sound and professionally competent scientific and technological contingent. He repeatedly dealt with this issue later. In 1982, Comrade Xiaoping said: "Only with qualified people constantly emerging, can our cause stand a good chance of success"; "The key to carrying through the 20-year program lies in whether we have sufficient qualified people." He always links qualified people with the prospects of our cause. In 1985, he said: "To carry out economic restructuring, what is crucial is whether qualified people are available, which is also a matter about which I am most concerned. In reforming the management system for science and technology, the matter about which I am most concerned remains the availability of qualified people."

In 1978 he said that it was necessary to lift the social status of intellectuals from the "ninth rank," to which they were reduced during the Cultural Revolution, to the first rank. According to my judgment, intellectuals do not belong to the "ninth rank" now but they have not yet been lifted to the first rank either. This reveals that we have failed to follow Comrade Xiaoping as required. Sometime we promoted to leadership positions those who indulged in exaggerations rather than those who had made great contributions to the nation. Some foreigners said that of the 2,000 billion yuan deposited in our banks the majority belongs to millionaires, some of whom deposited their money under aliases in several banks. It is very hard to confirm whether this allegation is correct or not, but one thing is certain, there are few scientists among these millionaires. Whenever we award handsome rewards, we give them to entrepreneurs but

not to scientists, who in fact make greater contributions than entrepreneurs.

The "Decision" has also made new provisions on expenditure for promoting scientific and technological progress. For instance, by 2000, expenditure on research and development will account for 1.5 percent of GNP. We must work hard to achieve this. We should guarantee that the growth rate of expenditure on science and technology should be higher than the average growth rate of financial revenue. Money needed for promoting scientific and technological progress should be mainly provided by local governments, which contribute 70 percent of state revenue. The central government lives on issuing state treasury bonds and banknotes, but it must still guarantee growth in expenditure for science and technology as required by the "Decision." In my view, we should first of all provide money for science and technology, education, and agriculture, giving top priority to science and technology. At present we should meet the urgent needs of agriculture. Education is a project of vital and lasting importance. If we do not attach importance to it, it would be a mistake.

When commenting on science and technology in 1978, Comrade Xiaoping said: "I would like to serve you as head of the logistics department." I am also willing to follow Comrade Xiaoping's example by acting as head of the logistics department, trying my best to serve you! (there was a storm of applause). But those leading comrades who are clapping hands must also share the responsibility, because Comrade Xiaoping said this: "To push forward scientific research, we must make a success of the logistics work and create favorable working conditions for scientific and technological personnel. This is also a task for the party committee." So I hope you will also act as head of the logistics department. If you are all willing to do so, China's scientific and technological cause will attain a new high.

Thank you!

Military & Public Security

Younger Officers Assume Major PLA Posts

HK2909005195 Hong Kong KUANG CHIAO CHING
in Chinese 16 Sep 95 No 276, pp 16-18

[Article by Chang Hsien-fen (1729 4423 5358): "Major Reshuffle of China's Military Hierarchy—Fourth Generation of Military Officers Take Over Important Posts"]

[FBIS Translated Excerpt] Major Changes at Higher Military Hierarchy, Emergence of Cross-Century Successors in Military

On the eve of the 1 August Army Day, there were major personnel changes at the three general departments of

the [People's] Liberation Army [PLA] and all military regions. Some high-ranking military officers who were over 65 withdrew from active service and a number of others around 55 years of age took over new posts and became cross-century successors in the military.

Those retired from military service include the 65-year-old General Li Jing, deputy chief of staff; the 66-year-old General Zhou Keyu, political commissar of the General Logistics Department; the 65-year-old General Dai Xuejiang, political commissar of the State Commission of Science, Technology, and Industry for National Defense; the 69-year-old General Zhao Nanqi, commandant of the Academy of Military Science; the 68-year-old General Zhu Dunfa, commandant of the National Defense University; and the 65-year-old General Li Wenqing, political commissar of the National Defense University.

Xu Huizi Transferred as Commandant of Academy of Military Science

General Xu Huizi is no longer executive deputy chief of staff at the General Staff Headquarters but has been transferred to the Academy of Military Science as its commandant; Lieutenant General Zhou Kunren has been transferred from political commissar of the Navy to political commissar of the General Logistics Department; Lieutenant General Li Jinai has been promoted from deputy political commissar to political commissar of the State Commission of Science, Technology, and Industry for National Defense; Lieutenant General Yang Huaqing has been promoted from deputy political commissar to political commissar of the Navy; Lieutenant General Wang Maorun has been promoted from deputy political commissar of the Lanzhou Military Region to political commissar of the National Defense University; and Lieutenant General Xing Shizhong has been promoted from deputy commander of the Jinan Military Region to commandant of the National Defense University. The new deputy chiefs of staff are Lieutenant General Kui Fulin (originally commander of the Chengdu Military Region), Lieutenant General Wu Quanxu (originally assistant chief of staff), and Lieutenant General Qian Sheng (originally assistant chief of staff). The new deputy director of the General Political Department is Lieutenant General Tang Tianbiao (originally assistant director of the General Political Department). [passage omitted]

Jiang Core Strengthens Influence at High-Level Military Hierarchy

The major readjustment of the high-level military hierarchy in July 1995 was a further development of the three readjustments conducted in November 1992, December

1993, and November 1994. The major readjustment enables a large number of high-ranking military officers who joined the Army in the 1950's and 1960's and who are around 55 years of age to enter the high-level military hierarchy, effecting epoch-making changes. As far as Central Military Commission Chairman Jiang Zemin is concerned, bringing up cross-century military successors has not only been put on the agenda but is also being implemented in an accelerated way. The Jiang core will further strengthen its influence in the military.

'Model' Xinjiang Troops Promote Ethnic Unity

OW2909105195 Beijing XINHUA Domestic Service in Chinese 0618 GMT 24 Sep 95

[By RENMIN RIBAO reporter Qu Qiyun (4234 0796 6663) and XINHUA reporters Chen Maolin (7115 5399 2651) and Xu Jinzhang (5171 6855 4545)]

[FBIS Translated Text] Urumqi, 24 Sep (XINHUA) — When these reporters covered news south and north of the Tian Mountains on the eve of the 40th anniversary of the Xinjiang Uygur Autonomous Region's founding, everywhere were touching scenes of fraternity between the army and the people. Key autonomous region leaders recently pointed out that the People's Liberation Army troops stationed in Xinjiang are a model of upholding army-government and army-people unity as well as ethnic unity.

Most Xinjiang Military District troops are stationed at border areas where minority nationalities live. Taking the work of strengthening ethnic unity as an important matter for promoting social stability, development, and maintaining the unity of the motherland, all troops have made unremitting efforts to carry out systematic education of ethnic unity among cadres and soldiers, and laid down rules and regulations on strengthening ethnic unity as well as specific requirements for respecting the customs of minority nationalities, thus striking root in the hearts of the people the ideas that "minority and Han nationalities are inseparable" and that "ethnic unity is the overall situation that everybody must bear in mind." Over the years, problems of violating the party's nationality and religious policies and going against the customs of minority nationalities have not arisen among the troops. The troops have carried out camp and field training several times, during which thousands of officers and men passed dozens of counties and cities and hundreds of villages inhabited by minority nationalities, but whenever training and drills were underway, they voluntarily kept away from mass graves; whenever they rested from training, they did not take up quarters in mosques; and whenever they were cooking, they did not pollute the masses' headwaters or the

surroundings. They have won the people's support with practical actions. The masses of various nationalities voluntarily invited the troops to live in their houses and to cook in their kitchens, and the way they greeted the troops was similar to what the forces in the old days had received when they entered Xinjiang.

Taking the work jointly undertaken by the army and the masses in building advanced units as an efficient way to strengthen army-people and ethnic unity, the troops have vigorously joined hands with the people of various nationalities where they are stationed in promoting socialist civilization and in building exemplary two-support cities (counties). All troops conscientiously respect the leadership of local party committees and governments. The troops always take the lead in implementing relevant policies and laws and regulations promulgated by the local authorities; they always do their best in supporting key construction projects; they actively take part in public welfare activities, such as those related to afforestation and environmental beautification; and they always lend a helping hand zealously when learn-

ing that local work has run into difficulties. Officers and men have even gone to the street and joined with the masses of various nationalities to study Lei Feng, to train people of a new type, to set a new ethos, and to imbue the ideological and cultural front with socialist ideology. As introduced by the authorities concerned, in all the localities where the people are joining hands with the troops in promoting socialist civilization, gratifying changes have been made in terms of the masses' mental outlook, social atmosphere, social order, and sanitation, thus promoting social stability and economic development. Among the 1,056 points where the people are joining hands with the troops in promoting socialist civilization, 80 percent have been named advanced units by organs at and above the county level; and 29 exemplary two-support cities (counties) have been built, accounting for one-third of the whole region. In activities commending those who have contributed to the cause of ethnic unity, over 250 advanced collectives and individuals have come to the fore of regional military district troops.

General**State Enterprise Strengths, Weaknesses Debated****Li Tieying Comments**

OW2809042595 Beijing ZHONGGUO XINWEN SHE
in English 1322 GMT 27 Sep 95

[FBIS Transcribed Text] Beijing, September 27 (CNS) — The State Commission for Restructuring the Economy and the People's Daily jointly convened a seminar on the reform of state owned enterprises. Representatives from state owned enterprises, economists, social groups and research institutes as well as government officials attended the meeting to discuss problems regarding the intensive reform of enterprises.

Commission head, Li Tieying, said that the authorities expressed confidence in the restructuring of state owned enterprises and that an integrated economic pattern combining public ownership with the market economy was sure to eventuate.

Mr. Li pointed out that current reforms should be maintained for the sake of the further development of state owned enterprises. No argument over the restructuring scheme should be raised so that concentration could be centered on reform. Originality should be employed only so long as it was beneficial for the freeing-up and exploitation of resources.

The vice head of the commission Wu Jie said that the process of reform was faced with a number of problems. First, it was difficult to separate the role of government from that of the enterprises themselves. Secondly, rights attaching to state owned assets were not clear enough. Thirdly, a unified and far-reaching social security system was yet to be set up. Fourthly, the competitiveness of enterprises had to be increased and the burdens they shouldered relieved. Fifth, management had to be improved.

The director of the research office under the State Council Guo Zhenying was convinced that the poor economic return on state owned assets was mainly attributable to the heavy use of state assets by enterprises which need not be run by state authorities. An improvement in the distribution of state owned assets as well as the ratio of assets to liabilities and an improvement in the state owned sector of the economy were of the utmost importance, according to Mr. Guo.

About 1,000 medium and large sized state owned enterprises are involved in the restructuring scheme. As they play a vital role in the national economy, a change in the management mechanism of these enterprises had to be urgently made to involve them in the market economy.

Joint 'Opinion' Issued

OW2809145595 Beijing XINHUA Domestic Service
in Chinese 2103 GMT 4 Sep 95

[FBIS Translated Text] Beijing, 5 Sep (XINHUA) — The CPC Central Organization Department, the State Economic and Trade Commission, and the Personnel Ministry recently jointly issued the "Opinion on Strengthening the Leading Bodies of State-Owned Enterprises," requiring local party committees, governments, and departments concerned adopt effective measures to strengthen the leading bodies of state-owned enterprises, especially large and medium enterprises, thus guaranteeing the smooth processing of the reform in these enterprises and guaranteeing the healthy development of production.

The "Opinion" points out: At present, the general condition of state-owned enterprises' leading bodies is good. Most leading bodies are united, cooperative, able to make progress and break fresh ground in their work, able to lead the working masses in their enterprises, and spare no effort in advancing enterprise reform and development. A number of outstanding enterprises with strong dynamism, excellent economic results, and a good name in domestic and international markets have emerged. However, the leading bodies or members of the leading bodies in some enterprises do not have satisfactory political quality or professional competence; or their leading ability is not strong enough and does not meet the needs in the development of the socialist market economy. Local party committees and governments at all levels must pay serious attention to this issue and should attach great importance to the consolidation of state-owned enterprise leading bodies.

The "Opinion" says: The work of strengthening state-owned enterprise leading bodies should give prominence to the key link and give guidance to different types of enterprises. The key link lies in large and medium state-owned enterprises. To meet the present needs in the establishment of the modern enterprise system, the leading bodies of the 100 enterprises selected for the pilot program of the modern enterprise system should first be properly consolidated. Necessary adjustments and replenishment should be made to these leading bodies in accordance with their management functions and powers. This should be finished by the end of this year to guarantee the pilot program's smooth development. In enterprises that incur serious business losses, it is necessary to deeply analyze the causes of the losses. If it is found that the poor business performances are related to the leading bodies' incompetence, timely action should be taken to make adjustments and replenishment. Arrangements should also be made for other enterprises

in which the leading bodies need to be adjusted and replenished. In a leading body's adjustment, it is first necessary to properly select the factory director and party committee secretary. If a factory director is concurrently party committee secretary, a competent deputy secretary should be selected for the party committee and he or she should concentrate on handling party affairs. The professional structure of an enterprise's leaders should be reasonable; and there should be members in various age groups in a leading body. In a leading body, some members should have good knowledge about the market economy and are resourceful in doing business and managing enterprise operations; and some other members should be good at handling party affairs and guiding ideological and political work. Efforts should be made to build the leading bodies into strong and competent leading collectives that insist on following the course of building socialism with Chinese characteristics, have a strong sense of responsibility and strong organizational and leading ability, maintain an upright style of work, and can create a new situation in their work.

The "Opinion" requires that serious work be done in inspecting and assessing enterprise leading bodies. Those to be inspected and assessed should include an enterprise's principal party and administrative leaders. The inspection and assessment work should be comprehensive and deep going with prominence being given to their positive work results; and should be conducted in a democratic way and follow the mass line. The opinions of workers and responsible departments should be listened to carefully, and the principle of seeking truth from facts should be followed. Written inspection and assessment reports on principal enterprise leaders should include opinions and proposals on the adjustment and replenishment of the leading bodies. Commendations and awards should be given to those who have performed outstanding work; opinions should be given to those whose work lacks distinction so that they may improve; and leading bodies that are not competent and demonstrate poor quality, those that cause the worsening of an enterprise's economic results or business losses, and those that have serious problems and internal discord should be resolutely adjusted. Vacancies should be filled in good time. Those who seek private gains by abusing official powers, have committed corruption, or have caused major losses to the state and to their enterprises should be brought to justice.

The "Opinion" stresses: Local party committees and governments at all levels should further emancipate their minds; broaden the channels for promoting outstanding leading personnel; and boldly select outstanding people in their 30s or 40s acceptable to the masses for the enterprise leading bodies according to the principle of

being open, equal, competitive, and selective. It is necessary to change the unitary system of appointing enterprise cadres. Various forms of appointment, election, tender-invitation, and selection based on open examinations should be adopted for appointing the right people to enterprise leading positions. In the 18 cities for carrying out the pilot project of "optimizing the capital structure," under the leadership of the local party committees, when the conditions are ready, efforts should be made to explore new ways to select enterprise managers and leaders through the market mechanism.

The "Opinion" points out the need to strengthen training for enterprise leading personnel. Their ideological and theoretical attainment and their professional competence should be continuously raised, which is an important link in the course of strengthening the Chinese entrepreneur contingent. They should be organized to study the theory on building socialism with Chinese characteristics and to study basic knowledge about the socialist market economy; the study of the "Enterprise Law," the "Company Law," the "Labor Law," the "regulations on transforming enterprise operational mechanisms," and "the regulations on enterprise supervision and management" should be deepened; and training should be strengthened in the aspects of marketing, financial management, property rights, international commerce, enterprise management, and management skills. On the basis of raising the overall quality of enterprise leaders and managers, a contingent of socialist entrepreneurs will be built up.

The "Opinion" requires that under the leadership of party committees at various levels, the organizational departments take the main responsibility for the work of strengthening the leading bodies of state-owned enterprises and join hands with personnel departments and comprehensive economic departments in charge of the enterprises in organizing, guiding, and coordinating the work of strengthening enterprise leading bodies. Great efforts should be made in investigations and studies, and various new problems in the adjustment of the subordination relations should be resolved in good time.

XINHUA Commentary

OW2909024795 Beijing XINHUA Domestic Service
in Chinese 1210 GMT 12 Sep 95

[Commentary by XINHUA reporter Wu Jincai (0702 6930 2088): "State-Owned Enterprises — Confidence as Viewed From Strong Points"]

[FBIS Translated Text] Beijing, 12 Sep (XINHUA) — A large number of state-owned enterprises are dynamic

in operation and production, spread over various localities and trades. Even among trades that suffer losses year after year, there are enterprises that produce very good economic results. Some foreign-invested enterprises and rural enterprises also think state-owned enterprises have good prospects and have said one after another that they want to run joint ventures with state-owned enterprises and cooperate with them.

Why are there such sharp contrasts in the same state economy and the same environment? Experience proves that state-owned enterprises have many strong points. We should have full confidence in doing a good job running state-owned enterprises. According to observations by this reporter of some enterprises in various localities whose production and operation are dynamic and whose economic results are good, such enterprises have at least 10 strong points, summarized as follows:

1. Strength in technology. State-owned enterprises have become an important "front army" in research and development of science and technology in China. In recent years, the state has encouraged large state-owned enterprises to run "technological centers" energetically. Already, 100 enterprises have set up centers with powerful technology. In high-tech industries such as telecommunications, metallurgy, chemicals, auto making, and space and aviation, state-owned enterprises absolutely dominate.

2. Strength in equipment. The state has for many years invested in large quantities of advanced equipment for its enterprises. Since the beginning of reform and opening up to the outside world, China has obviously introduced much more advanced equipment from abroad, and most of it has gone to state-owned enterprises.

3. Strength in management. In the course of operating for many years, particularly in the market economy, state-owned enterprises in China have accumulated much management experience. A number of properly run state-owned enterprises have formulated correct management strategies, established scientific management systems, selected appropriate management methods, and carried out first-rate management as compared with other enterprises in China.

4. Strength in capable personnel. In past decades, state-owned enterprises have established a complete set of mechanisms for attracting and keeping capable personnel and have brought together many economic and technological specialists and highly capable personnel in various fields. They are the most valuable asset.

5. Strength in scale of operation. State-owned enterprises represent the state's investment and economic ability and all are run on a relatively big scale. If the

problem of "difficulty for a big ship to turn round" can be effectively solved, the strength of scale can produce a considerable strength in competition.

6. Strength in rear-service resources. For historical reasons, many state-owned enterprises have their own rear-service systems. Once such resources are open to and geared to the society, they all can create more jobs and better economic results and can become part of the wealth of enterprises. Besides, some enterprises that have suffered losses have reorganized their resources, making use of their factory buildings and land to set up new industries. This also constitutes a resource.

7. Strength in brand-name products and good reputations. Following their development in past decades, many state-owned enterprises in China have produced large numbers of brand name products that enjoy good reputations on the market and among consumers. Particularly since our economy entered the orbit of the market economy, the momentum of a number of brand name products has become even more dynamic. These include Chunlan air conditioners, Jialing motorcycles, Sonata and Dongfeng cars, Xiongmao television sets, and so on. To date, many state-owned commercial units still have a reputation for selling genuine goods at fair prices and cheating no one.

8. Strength in state support. Since state-owned enterprises are set up and run by the state, they get full state support, beginning with the initial investment. To help state-owned enterprises get better economic results, the state energetically gives support to the operation and production of state-owned enterprises. Since the beginning of reform and opening up to the outside world, China has greatly increased the financial resources of state-owned enterprises through various financial policies. China has comprehensively implemented the "two principles" since July 1993; relieved state-owned enterprises once and for all of the debt burden of over 100 billion yuan handed down from the past; and increased the financial strength of state-owned enterprises by 50 billion yuan each year. This is a concrete example. The state has also recognized doing a good job in running state-owned enterprises as some of the most important work in recent years and has given maximum support to state-owned enterprises in public opinion environment, specific policies, priority in obtaining funds, and so on.

9. Strength in social support. The whole society has also shown the greatest concern for properly running state-owned enterprises. At present, there are 74 million workers and staff members in state-owned enterprises in China, and their employment affects at least several hundred million people. Sales income of state-owned enterprises accounts for about 70 percent of the total of

industrial enterprises of the whole country and has the greatest impact on the society. Because of this, people naturally give energetic support to the development of state-owned enterprises.

10. Strength in politics. The "three old organizations" of state-owned enterprises of China (traditional party committee, congress of workers and staff members, and trade unions), together with the "three new organizations" (board of directors, supervisory committee, and general shareholders meetings) that emerged along with the modern enterprise system, have been able to pool various strengths, giving play to collective strength.

In the market economy, all the strengths are favorable conditions for competition. In the past, when noted Japanese entrepreneur Konosuke Matsushita came to China to discuss setting up a joint venture electronics enterprise, he paid great attention to these strengths, analyzing the investments made by each side. His own investment was first, advanced equipment; second, relevant funds; third, technical personnel; and fourth, technical know-how. The investment of the Chinese side was first, land and factory buildings; second, equipment; third, engineering and technical personnel; and fourth, the secret of success — communist leadership. This "investment outlook" really means the strengths of each side. Making these strong points clear strengthens confidence and determination to do a good job in running state-owned enterprises. We deeply believe that if state-owned enterprises change their operational mechanisms now and give full play to these strong points, they will certainly make spectacular economic achievements.

Of course, stressing the strengths of state-owned enterprises does not mean denying their weaknesses. In particular, problems have existed to varying extents in state-owned enterprises in recent years in terms of competition with other economic sectors under the same conditions, social burden, and operational mechanism; these enterprises must readjust as quickly as possible. We must also see that no state-owned enterprise can rest on its strong points but must give them full play through reform and turn them into competitive market strengths.

We must also see that stressing the strengths of state-owned enterprises does not mean excluding those of other economic sectors. At present, it is quite necessary to let the various kinds of economic strength complement each other and play their roles jointly in common efforts to create greater economic results.

Minister Discusses Circulation System Reform
HK2909013095 Hong Kong CHING CHI TAO PAO
No 2428, 17 Jul 95 pp 3-5

[By staff reporters Liu Daqing (0491 1129 1987) and Yao Gannan (1202 6373 0589); "Interview With Minister of Internal Trade Chen Bangzhu on China's Current Market Situation and Reform of the Circulation System"]

[FBIS Translated Text] Mr. Chen Bangzhu, who only became minister of internal trade at the end of February this year, is 60 years old. Formerly governor of Henan Province, he is a cadre who has long been engaged in economic work and who is very familiar with the situation in foreign economic relations and trade, commodity circulation and enterprises. In the nearly six months he has been in the post, Minister Chen has stressed survey research on the trends in the national market and reform of the circulation system. He has noted that the Ministry of Internal Trade, as the State Council functional department responsible for commodity circulation, must concern itself with those things the Central Committee concerns itself with, think about those things the people think about, and do well in all aspects of work.

On 13 July, Minister Chen received this journal's reporter and other reporters from Hong Kong and Macao newspapers and magazines for an interview. He spoke widely about the current market situation and spoke about questions which are of concern to people at home and abroad, including the "rice sack," the "vegetable basket," and circulation reform and opening up to the outside, and answered the questions which the reporters put forward.

Three Characteristics of the Current Market Situation

Minister Chen said that in March this year Premier Li Peng pointed out in his Government Work Report that we must take as the focal points of our work this year the development of agriculture, the deepening of reform in state-owned enterprises, and the improvement of macroeconomic regulation and control. In particular, it is necessary to see stabilizing the market, stabilizing prices and holding down inflation as the keys in correctly handling the relationships among reform, development and stability. Seen from the current situation, three characteristics have appeared in the national commodity market:

First, the consumer product market has been prosperous and lively and sales have been brisk. Since the beginning of this year, following the development of the economy,

the consumer product market has seen sustained and rapid growth. From January to May the retail sales of social consumer products were 776.12 billion yuan, representing a rise over the same period the previous year of 31.4 percent. Excluding the price rise factor, the real growth was 10.4 percent, higher than the average actual growth last year of 7.8 percent. Of this, the actual growth in January and February was 9.1 percent, in March it was 10.6 percent, in April 12.1 percent, and in May 11.1 percent. The speed of growth saw a stable upward movement. Sales in the rural market were brisk and over the period January to May the value of retail sales of consumer products in rural areas below county level throughout the country saw a 34.1 percent growth over the same period the previous year. This was 1.3 percent higher than the growth for the urban market, and maintained the trend of quite rapid growth seen since the second half of last year. This shows the continuous increase in the purchasing power of, and continuous expansion in consumption by, rural residents. In short, the consumer market throughout the country has maintained a fine development trend.

Second, the means of production market has seen further development in the direction of supply-demand balance. Since the beginning of this year, the supply and demand situation in respect of means of production has gradually begun to move from supply exceeding demand to where there is a balance between supply and demand. Apart from in respect of a small number of steel products, non-ferrous metals and major chemical industry products, supply of which is quite tight, and cement and wood products, where supply exceeds demand, there is a basic balance between supply and demand for means of production. From January to May, the total social sales of means of production were 998.7 billion yuan, 16.2 percent up on the same period last year. There was a decline in steel stocks, exports increased and imports were effectively controlled. Market prices saw a 1.5 percent increase over the same period last year.

Third, the increase in retail prices saw some alleviation. Since the beginning of this year, the state has adopted a series of effective measures to hold down price rises, and initial results have been seen. The price increase situation has seen a monthly decline. Social commodity retail price increases declined from 21.2 percent in January to 19.7 percent in February, to 18.7 percent in March, to 18 percent in April, and to 17.6 percent in May, before falling to 16 percent in June. The monthly comparable same-period index has fallen to 1 percent, residents' inflation expectations are low and consumer confidence is quite stable. However, seen overall, prices are still at a quite high level, and from January to June there was a growth of 18.5 percent as compared to the

same period in the previous year. The basis for a fall in prices is still not sufficiently stable. This is reflected in: 1) The increases in the prices of foodstuffs which are closely linked with the daily lives of the people are still quite high, sometimes reaching 30 percent. 2) The current fall back in the level of prices has mainly relied on administrative price restrictions and administrative subsidies. Thus, it will be an arduous task to achieve the goal of limiting price rises this year to around 15 percent, and much work still needs to be done.

Minister Chen said that it is predicted that in the second half of the year: The consumer product market will continue to see a quite high speed of growth; the industrial product market will see brisk sales, but with an underlying stability; the world market will see further prosperity; while the means of production market will see stable development, with prices rising.

This Year a Basic Balance Will Be Achieved Between Output of and Demand for Food Grain

"The people consider grain to be their Heaven." The grain question has always been a major matter of concern to the population of 1.2 billion people. Minister Chen confidently noted that as compared to last year, the grain situation this year will be one which will see an amelioration in the grain production-demand contradiction, the increase in the price of grain will be restrained to a certain degree, and after taking measures, the total grain volumes will see a basic balance.

Speaking generally, the grain production situation this year is good. Seen from the current situation, a bumper summer grain harvest is a certainty. The area sown to early paddy rice has been increased by 3 million mu. However, recently, some of the early paddy rice areas have suffered natural disasters, and this will have a certain effect on early paddy rice production this year. All areas are now engaged in work to combat natural disasters and are doing well in managing the areas between the fields, so as to lay down a base for achieving good grain output over the year.

In order to guarantee the supply of commodity grain to the urban population, the state-owned grain departments must grasp well the tasks of purchasing 100 billion jin of grain through fixed purchase and 80 billion jin of grain through negotiated purchase. This year, the purchases of wheat have been quite swift and quality has been good, something which has not occurred in recent years. Up to 5 July, the completed purchase of summer wheat totaled 14.693 million tons, 64.2 percent of total annual planned purchases of wheat. Of planned purchases, 92.57 percent of the fixed purchase tasks have been completed. The reasons the purchases of

wheat have been swift are: 1) There has been a bumper harvest this year, which has provided the material base. 2) Party and government leaders at all levels have given their attention to the problem and grasped it tightly, and the peasants' enthusiasm has been high.

Minister Chen also noted that the State Council has decided that 1995 is the year in which efforts will be made to further clarify and perfect the provincial governors' "rice sack" responsibility system, and to strengthen the responsibility of local governments in balancing the overall volumes of grain in their regions. This is an important measure by the central government in respect of exercising macroeconomic regulation and control over the grain market, and governments in all regions have given this quite a degree of attention.

On the price of grain, Minister Chen said that in recent years the price of grain had maintained a basic stability and that the various regions had adopted a series of stabilizing measures, such as utilizing special stores of grain, implementing sales of grain at market prices, allocating emergency grain to disaster areas, organizing the import of grain, and so on. Further, there has been an increase in summer grain output this year and this has provided the material basis for stabilizing grain prices. Recently, Jiangxi, Hunan and Zhejiang have suffered the effects of serious floods, and it is predicted that in the coming period there will be fluctuations in the price of paddy rice. At present, these areas are adopting measures, including measures for strengthening the management of the grain market, and are making efforts to maintain the stability of grain prices.

While discussing the phenomenon of a resurgence in grain coupons, which has appeared in some cities, Minister Chen said that since last year the grain departments in many cities have adopted the measure of supplying food grain "through documents, at fixed places, in limited quantities, at fixed prices and at fixed quality." The amount provided is generally 7 to 10 kg. This has played a major role in stabilizing the grain price and stabilizing supply. In particular, this has guaranteed the livelihood needs of low-income urban residents, and has been widely welcomed. This practice is different from that of issuing grain ration tickets in the past and we will not allow the issue of grain ration tickets again. As the supply to and sales from state grain resources are basically balanced, this is only a regulatory measure to guarantee the needs of low-income urban residents.

The People's 'Vegetable Basket' Will Be Full

Minister Chen went on to talk about the "vegetable basket," about which everyone is concerned. He detailed the situation of four elements which are closely linked with the interests of urban and rural residents—pork,

vegetables, edible oil, and sugar. In recent years there has all along been a basic balance between supply and demand in the meat market, but at times it was tight. In 1994 there was a big increase in the buying and selling prices of live pigs, and the market situation became serious. On the one hand we mobilized the enthusiasm of farmers to raise pigs and on the other adopted measures by which there was reallocation of pork between provinces and the utilization of pork stores. This changed the market situation and brought a stability to the market. This year, because of an increase in the number of pigs sent to market and various other factors, the market price of pork has seen a steady decline. The new contradiction which has appeared in production and sales is that in various places there is overstocking in warehouses. For example, in major sales cities such as Shanghai, Beijing and Tianjin, pork stores are at historic highs, and there has been a continual decline in the purchase price of pigs. Conversely, the price of feed has continually escalated, creating a contradiction between the prices of pigs and of feed. In some places, the figure is 1:4, and in other places even lower. This has affected the enthusiasm of the farmers for producing more pigs. The leaders of the State Council have given a high degree of attention to this situation in respect of the production and marketing of pigs and they have decided to increase the reserve stores of pork at central and local levels; governments at all levels have formulated minimum guaranteed prices for pig purchases; the state-owned foodstuff enterprises are to purchase more and store more pigs; they are not to force prices down but rather will expand purchase and sales and bring into play their role as major channels; the state has sold off 2 million tons of stored corn so as to bring down the price of feed; and so on. At present, the pig production price has stabilized and is seeing a slight revival, and the pig/feed price ratio is moving back toward a reasonable figure.

As to vegetables, edible oil and sugar, this year the vegetable market is well-stocked, prices are stable, there has been an increase in the supply volume of delicate and out-of-season vegetables, and this has improved the mix of products available in the markets. We are going to adopt various further measures to guarantee market supply and to stabilize vegetable prices. In the first part of this year the edible oil market turned from a tight market into a relaxed market, there has been quite a great increase in commercial stocks, and market prices have seen a great drop. According to statistics, at the end of May the commodity stocks of edible oil throughout the country totaled 1.691 million tons, an increase of 954,000 tons or 29 percent over the same period last year. Although stocks have not yet reached the highest historical level, there has

been a very great replenishment. Last year there was quite a lot of edible oil imported and at the same time the international market price saw a decline. Added to this was the fact that this year there was a bumper crop of oil-bearing crops. Thus, the supply-demand relationship has shifted from tight to relaxed. Over the last two years, there has been an annual shortfall of about 1.5 million tons between national production and national demand for sugar. Through imports and using state stores, we were able to guarantee a basic balance between supply of and demand for sugar. The sugar price is now basically stable and in some areas has begun to fall. The main problem which exists at present in the sugar market is that circulation order is chaotic. In response, in addition to having industrial and commercial departments engaging in sugar wholesaling, we have also had individual and private operators involved; we have improved the central and local sugar store systems; we have established sugar wholesaling markets, standardized sugar trading activities, and strictly controlled outside trading; and we have struck at sugar import smuggling and covert smuggling.

Three Key Aspects of Work in Properly Reforming the Circulation System

Minister Chen said that in the reform of the circulation system this year, it is necessary to grasp three main aspects of work.

1. The development of commercial chain operations. At present, there are 150 chain-store companies in the country, with over 2,500 directly operated or allied stores under them. These have already grown to quite some scale. Today, in developing chain operations it is necessary, in accordance with the principles of "for the people, bringing convenience to the people, benefiting the people," to carry out further standardization and to develop convenience stores with grain, oil, food-stuffs and sundries as their main sales items and chain supermarkets which mainly deal in non-essential food-stuffs and daily-use commodities. We are also preparing to import foreign funds, technologies and management methods, and are first experimenting with one or two Chinese-foreign joint-venture chain-stores, so as to combine domestic and foreign elements, and to gradually develop a modern, international chain operation network.

2. Developing an agency system for goods and materials. This is a new experiment in the reform of China's means of production purchase and marketing system. Circulation enterprises obtain agency rights or operating rights from production enterprises through negotiated agreements, and the production and sales sides establish

a long-term stable, cooperative relationship. In this way, they will be able to achieve the goal of a circulation network which links production and demand, and which is highly effective, rational and unimpeded. This year, we plan to conduct experiments in two types of products—steel products and vehicles—and, after experience is gained, to push the reforms stably forward. 3. Implementing two-lane operations for grain. That is to say, policy-nature business and operational-nature business will be separated. On the basis of their links, the purchasing, storage and transport operations will be classified as policy-nature business, while processing and marketing will be classified as operational-nature business. There will be appropriate changes to funds sources and it will be ensured that purchasing funds are where they should be at the appropriate time and that purchasing funds are not misappropriated or misused.

According to Minister Chen, this year there are nine enterprises from the Ministry of Internal Trade system which are included in the 100 points throughout the country for experiments for the modernization of the enterprise system, and these enterprises must be grasped seriously. At the same time, it is necessary to put efforts into raising the degree of organization of state-owned and cooperative circulation enterprises, to develop enterprise groups, to raise market shares and to consolidate and bring into play their roles as major channels.

The Great Expansion of Opening Up to the Outside in the Circulation Sphere

Minister Chen said: Following the further opening up to the outside and the continual deepening of the reform of the commercial circulation system, commercial retail business is no longer a sphere where China prohibits investment by foreign investors. In the second half of 1992, the State Council decided to trial-establish in Beijing, Shanghai, Tianjin, Guangzhou, Dalian, Qingdao and the five SEZs one or two Chinese-foreign joint ventures or cooperative commercial retail enterprises (referred to below as foreign-invested commercial retail enterprises). During the experimental period, the local governments reported details of the foreign-invested commercial retail enterprises to the State Council for examination and approval. Since the beginning of the experimental point work, the interest of both Chinese and foreign enterprises in trial-operating foreign-invested commercial retail enterprises has been very great, and their enthusiasm has been very high. The trial commercial enterprises in the various cities successively negotiated with foreign businesses to trial-establish commercial retail enterprises. Through over a year of practice, the progress of the experimental work has been very smooth, and initial results have already been achieved.

Up to the present time, the State Council has officially approved 14 foreign businesses to invest in commercial retail enterprises.

Seen from the 14 commercial retail joint-venture enterprises which have been approved up to the present, the foreign businesses involved in the joint ventures are predominantly from Southeast Asia, Hong Kong and Japan. Of these, there are five from Hong Kong, four from Japan, three from Thailand, one from Malaysia and one from Singapore. There are also some European and U.S. commercial firms actively entering this area. As these joint-venture and cooperative projects require new construction, large investment and a long building period, they have not yet all been put into operation.

Trial-operating foreign-invested commercial retail enterprises is a major measure by China in further expanding opening up to the outside and in continually expanding the utilization of foreign funds. It is also important work in deepening reform of the commercial circulation system. At present, both local governments and commercial enterprises are very enthusiastic about the trial-operating of foreign-invested commercial retail enterprises. They are seeking the expansion of the experiments as soon as possible. The foreign businesses have also indicated great interest in this. Although the experimental-point work in foreign-invested commercial retail enterprises has been going on for over two years, we still lack experience. We need to deepen exploration and summing up of experience at the experimental points and, on the basis of summing up experience, continually expand the scope of the experimental points.

Minister Chen also said: Commercial wholesaling and supply and marketing of goods and materials has still not been opened up to the outside. In respect of foreign investment in hardware construction in our country's wholesale industry, we have always had a wide open door. There still needs to be further exploration on whether or not there should be foreign-funded cooperative operations in the wholesaling of a small number of agricultural and sideline products and the goods and materials distribution centers.

In terms of opening up in the circulation sphere, apart from in the trade area, there has also been opening up to the outside in terms of commercial industry. Today, there are 5,200 enterprises which are partly or wholly foreign-funded. Also, there has been progress achieved in importing foreign funds to transform circulation facilities. For example, the World Bank has provided credit of \$490 million to transform and build grain storage facilities and transfer warehouses.

Since last year, 202 circulation enterprises have obtained the right to engage in import and export operations. The internal trade enterprises have engaged in import and export business through various avenues with the total value of such imports and exports being about 10 billion yuan. This is an important window in China's opening up to the outside.

Minister Chen indicated: We hope to further expand the opening up of commercial circulation and hope that foreign businesses will invest further in the building and transformation of circulation facilities. We must study and draw in advanced commercial management experiences from abroad, and carry out major changes to organizational structures and circulation modes which are not suited to the market economy. In future, there will be effective cooperation with foreign businesses in the various circulation spheres and this will include the sphere of commercial chain-stores.

Ministry Reports on Auto Production, Sales
OW2809075795 *Beijing XINHUA in English*
0659 GMT 28 Sep 95

[FBIS Transcribed Text] Beijing, September 28 (XINHUA) — Both production and sales of China-made sedan cars have grown dramatically this year, according to the Chinese Ministry of Machine-Building Industry, which is in charge of the country's automotive industry.

During the first eight months of this year, the 12 State-designated sedan car makers turned out 197,700 sedan cars, up 18.29 from the corresponding period of 1994; sold 193,000 units, up 19.76 percent.

China plans to produce 350,000 sedan cars in 1995, up 40 percent from the previous year.

However, the domestic sedan car producers had previously set the production target at 410,000 units, which was brought down to the current 350,000 units by the Ministry of Machine-Building Industry in light of the actual market capacity.

The ministry holds that the macro-economic situation is comparatively tough this year, which will adversely affect the domestic sedan car market.

China had a total car population of 1.25 million in 1993, which is insignificant in such a huge country as China.

The Chinese sedan car market turned brisk abruptly in February this year after a period of slack business. Some cars were even out of stock in March. Then the market became sluggish again starting April and spanning between April and June. Both production and sales skyrocketed as the year entered into its second half.

To put sedan car market onto a sound development track, efforts were made starting the late half of 1993 in an attempt to eradicate the unhealthy elements in the Chinese automotive industry.

The ministry predicted that the prospects of China's sedan car market are not so bright in the second half of this year due to such problems as capital shortage and the government's effort to rein in the speedy increase of consumption funds, which will affect the car purchasing plans of some enterprises and government organizations.

Finance & Banking

Finance Minister Reports on Tax Reform

OW2909074095 Beijing XINHUA Domestic Service in Chinese 0844 GMT 21 Sep 95

[By RENMIN RIBAO reporter Li Jianxing (2621 1696 5281) and XINHUA reporter Ding Jianming (0002 1017 6900)]

[FBIS Translated Text] Beijing, 21 Sep (XINHUA) — Liu Zhongli, finance minister and director of the State General Administration of Taxation; Zhang Youcui, vice finance minister and director of the State Administration of State Assets; and Lu Renfa, director of the State General Administration of Taxation, today answered reporters' questions at a press conference in Beijing called by the State Council Information Office for Chinese and foreign reporters. Liu Zhongli stressed at the conference that China's tax reform has been very successful since it was introduced last year. He said the reform has achieved the anticipated results and the state's budgetary revenues and expenditures during the first eight months was also satisfactory.

Liu Zhongli said: This year, the government, to control inflation, has implemented a policy which includes increasing revenues, rationally controlling expenditure, and tightening financial discipline. The performance during the first eight months shows that the state's revenue and expenditure were quite normal. According to statistics, the country's total revenue during the first eight months topped that of the same period last year by 27.1 percent, reaching 346.038 billion yuan, and accounting for 60.8 percent of the year's budgetary revenue. This growth included an 18.7 percent growth in central revenues and 36.7 percent growth of local revenues. The growth of such major taxes as value-added taxes, business taxes, consumption taxes, and income taxes paid by enterprises and individuals was quite significant. During the same period, the nation spent 355.968 billion yuan, which was 56 percent of the fiscal year budget and 30.3 percent higher than the figure for last year. Expenditure for capital construction, remodeling projects to tap potential, and to support

agricultural production, as well as spending on cultural and educational projects, scientific research projects, health services, and maintenance and construction of municipal projects increased quite substantially.

Liu Zhongli pointed out: Certain problems — such as enterprises' higher tax arrears and higher spending — are affecting the execution of this year's budget. Thus, the government will continue to adopt a financial retrenchment policy and tighten the management of revenues and expenditure over the next few months. First of all, we will tighten our tax collection efforts and insist on collecting taxes according to the law. We will also make serious efforts to recover enterprises' tax arrears and plug loopholes, making sure that all collectible taxes are collected. Second, we will strictly control expenditure. In accordance with the principle that revenue and expenditure should be balanced, we will readjust expenditure projects and control total expenditure in order to achieve a balance.

Speaking on the progress of tax reform, Liu Zhongli said: Thanks to nationwide efforts, the new tax system established in 1994 has been operating satisfactorily, and its functions have gradually become noticeable. Since the new tax system has aroused central and local governments' enthusiasm for financial management, both central and local governments' financial strength has increased substantially. In accordance with the new system's requirements, many places have started to explore new financial resources, paying special attention to new ways to achieve economic growth. And because government leaders have also heightened their awareness of the law, the number of tax reductions and exemptions has decreased noticeably. Liu Zhongli stressed that reform to separate central and local taxes — which was one of the major reform programs carried out last year — has set the rules by which central and local governments share revenue. He said: Since the reform has enabled the central government to appropriately amass some financial resources, it has created the conditions for establishing a new transfer payment system in the future. However, Liu Zhongli pointed out that because the system of separating central and local taxes involves the readjustment of central and local interests, the reform was designed to proceed gradually. That was why the tax separation system had to be further improved and it would still take time before a standardized payment transfer system was set up.

Answering a reporter's question about whether the preferential tax system currently enjoyed by special economic zones would be removed, and whether the central government's support for central and western China's economic development would hurt coastal areas, Liu Zhongli said: The central government's policy on spe-

cial economic zones [SEZ] preferential tax treatment has been very specific. While the basic policy will remain unchanged, certain specific measures will be revised. However, Liu Zhongli pointed out that, in the long-term, the SEZ tax system will eventually be incorporated with that of the rest of the country, as was required to establish a socialist market economic system. As for the government's support for central and western China's economic development, Liu Zhongli stressed that the central government would not support central and western China's economic development at the expense of the economically developed coastal areas. Liu Zhongli said: There are many ways to support economic development in central and western China. One is to resolve the imbalance of east- west economic development through the gradual establishment of a standardized transfer payment system. The most important way, however, is to help central and western China develop their resources. He said: The Central government has now increased investment in building infrastructure in central and western China. The current priority is to help central and western China resolve their communications, water, and electricity problems. Some projects, such as making the Lanzhou-Urumqi Railway double-tracked, are already underway, and some others are being planned.

Zeng Jianhui, director of the State Council Information Office, chaired today's press conference.

Central Bank Poll Finds 'Optimism' on Inflation
OW2909090495 Beijing XINHUA in English
0829 GMT 29 Sep 95

[FBIS Transcribed Text] Beijing, September 29 (XINHUA) — The majority of the Chinese people are optimistic about the economy and expect prices to stabilize or even to drop, according to a survey by the People's Bank of China [PBOC].

The survey was based on a sample of 20,000 customers in 34 cities in late August, and showed that nearly two-thirds of the respondents anticipate a stabilizing price situation or even an easing in the future.

More than half of the respondents regard the current price level as bearable, while 44.8 percent see prices as too high, said the survey.

The rate of inflation has been on a downward trend this year. The State Statistics Bureau said recently that China's retail price index grew 17.2 percent cumulatively in the January-August period this year, compared with 21.7 percent a year ago, which is close to the official target of 15 percent for this year.

Foreign Trade & Investment

Jiang Zemin Meets With U.S. Auto Executive
OW2909064595 Beijing XINHUA in English
0619 GMT 29 Sep 95

[FBIS Transcribed Text] Beijing, September 29 (XINHUA) — Chinese President Jiang Zemin met and had a friendly talk with John F. Smith, president of the General Motors Corporation of the United States, and his party here this morning.

Jiang said that there are great potentials in China's motor vehicle industry and also exist broad prospects for Sino-U.S. cooperation in this field.

He took note of the smooth cooperation over a motor vehicle project between the U.S. General Motors corporation and Shanghai, and wished them great success in more such cooperation projects.

During the meeting, Smith briefed the Chinese President on the close collaboration between his corporation and China in the industry.

Shanghai Import, Export Zone Increases Trade
OW2909034595 Beijing XINHUA in English
0251 GMT 29 Sep 95

[FBIS Transcribed Text] Shanghai, September 29 (XINHUA) — The Shanghai Waigaoqiao Bonded Zone, the first of its kind in China, imported and exported 351 million U.S. dollars' worth of goods so far this year, an increase of 12.9 percent over the same period last year.

After three years of construction, one half of the 10-square- kilometer zone has been put into operation, housing 1,933 foreign trade and processing enterprises.

Investors from Japan, the Republic of Korea, the United States, and Hong Kong are a new force of the processing trade. Trade volume on the capital goods market at the zone amounted to 2.363 billion U.S. dollars. With 1,432 members, the market consists of four multi-functional marketing places and four special marketing grounds.

Agriculture

State Statistics Bureau Analyzes Rural Economy
HK2809005595 Beijing RENMIN RIBAO in Chinese
2 Aug 95 p 2

[Article by the General Agricultural Investigation Team under the State Statistics Bureau: "Analysis of Rural Economic Situation in First Half of This Year and Entire Year's Trends"]

[FBIS Translated Text] The Major Achievements of the Rural Economy

1. A fairly good harvest of summer grain has been reaped, and substantial increases have been registered in the production of oil-bearing crops. According to a sample survey of predictions based on actual harvests, this year's total summer grain output will be 106.55 million tons, up 2.25 million tons (2.25 billion kilograms), or 2.2 percent, from last year. This is the second best harvest on record. The output of summer harvested rapeseeds will be 9.04 million tons, a year-on-year increase of 26.3 percent.
2. The acreage under early rice has increased by 2.70 million mu to reach a total of 123 million mu. Thanks to an increase in input and better management, total output is likely to be higher than last year's figure despite serious natural disasters in some regions.
3. Animal husbandry continues to register rapid growth. Total meat output for the first half of the year was 22.26 million tons, 18 percent up from the same period of last year. This included 16.50 million tons of pork, up 15.3 percent. The output of beef, mutton and poultry was up by 35 percent, 23.8 percent and 23.5 percent respectively. In terms of headage, the number of pigs on hand was 7 percent higher than in the same period of last year. There was a 12 percent increase in the number of sows on hand and a 10.9 percent increase in the number of cows on hand.
4. The production of aquatic products is showing a strong momentum of growth. According to statistics released by competent departments, the total output of aquatic products between January and May was 7.60 million tons, up 22 percent from the same period of last year.
5. Township enterprises have registered steady growth, and there has been an obvious increase in the ratio between the production and marketing of products. The total output value of township-run industries in the first half of this year was 27 percent higher than the corresponding 1994 figure, while the ratio between production and marketing was 95 percent, an increase of 1.9 percentage points over the same period of last year. Between January and April, the total value of export goods delivered by township and village enterprises was 92.3 billion yuan, up 58 percent from the same period of last year.
6. There has been a rapid increase in peasants' income. Peasants' cash income in the first half of this year was 758 yuan, which represented a real growth of 12 percent after allowing for price rises. Peasants' living expenses were 423 yuan, up 37 percent. Growth in living expenses was basically in step with growth in income.
7. The rural market is brisk, and price rises for principal agricultural products have dropped somewhat. The rural market has been growing at a fast speed since March 1994, and is now growing at basically the same speed as the urban market. In the first half of this year, the total retail volume of consumer goods at or below the county level was 238.3 billion yuan, up 33 percent from the same period of last year, or a real increase of about 10 percent after allowing for price rise, the swiftest increase in recent years. After soaring by a large margin for some time, price hikes for principal agricultural products have been on the decline month after month this year. The price of grain has been quite stable in the past two months. The prices of edible oil and most animal products and products manufactured therefrom have even dropped.

The Main Reasons for the All-round Development of the Rural Economy and Markets

1. The leadership attaches importance to the task, and different departments are working in coordination and are making genuine efforts to do solid work. Following the implementation of the guidelines of the Central Rural Work Conference, party and government leaders at all levels have further increased their understanding of the importance and urgency of the need to strengthen agriculture. They have attached priority to agriculture in economic work, put forward clear-cut tasks and paid great attention to the implementation of specific measures.
2. The improvement in the environment of trade in agricultural products has aroused peasants' enthusiasm for production. Last year, the state raised the prices for the procurement of grain and cotton by a big margin, and this boosted the 1994 procurement price index for agricultural products to 139.9. This year, the state decided to further raise the cotton procurement price from 540 yuan per dan to 700 yuan per dan. Although the state has made it clear that the price for state purchase of grain by order will remain unchanged, many localities have been secretly subsidizing these purchases. At the same time, prices of agricultural products on the market have also increased by a big margin. The substantial increase in the price of agricultural products has rectified the situation of unduly low pricing for agricultural products, improved the environment of trade in agricultural products, and thus aroused peasants' enthusiasm for production.
3. Input in agriculture has increased by a large margin, and farmland water conservancy construction last winter and this spring has produced conspicuous results. According to statistics released by relevant departments, total investment in farmland water conservancy con-

struction this year was 18 billion yuan, nearly 10 billion yuan more than in the corresponding period of last year. Total labor input was 5.95 billion, an increase of 400 million. Total earth and stone work completed was 7.14 billion cubic meters, an increase of 310 million cubic meters. Financial allocations and bank loans in support of agriculture have both registered big increases. In the first half of this year, financial allocations in support of agriculture totaled 13.96 billion yuan, up 29 percent from the same period of last year. Of this total, expenses in support of agricultural production increased by 46 percent; while expenses on comprehensive agricultural development increased by 16 percent. The rate of growth in agricultural expenses exceeded the rate of growth in total fiscal expenditure. Per-capita input in agriculture increased rapidly. In the first half of the year, per-capita expenditure on production expenses was 245 yuan, up 52 percent from the same period of last year, or a real increase of 16 percent after allowing for price rises.

4. Peasants' income has increased and a solid foundation has been laid for the effective supply of agricultural products. Peasants' per-capita net income showed a real growth of 5 percent in 1994 and their per-capita cash income showed a real increase of 12 percent in the first half of this year. These have aroused their enthusiasm. All-round bumper harvests have been achieved in agriculture since the beginning of this year. The harvests of summer grain and oil-bearing crops have been particularly good. The production of animal and aquatic products has also showed substantial growth. These have laid an effective foundation for the stability of the market for agricultural products and for controlling substantial increases in the prices of agricultural products.

Factors Restricting the Development of the Rural Economy

In the second half of the year, favorable conditions and unfavorable factors will exist side by side in the rural economy. On the one hand, factors conducive to agriculture and the development of the rural economy in the first half of the year will continue to be favorable in the second half of the year. Moreover, the substantial increases in the output of principal agricultural products in the first six months will lay a good foundation for higher output and income for the whole year.

However, we must also soberly recognize that agriculture and the rural economy are still confronted with many prominent problems and uncertainties in the second half of the year:

1. Natural disasters will be more serious than in normal years. On the question of flood and drought, flooding

in south China will have a big impact on early rice, while prolonged drought over large parts of north China will adversely affect the sowing and early growth of crops. Precipitation has been shifting northward of late. However, meteorological departments are forecasting that summer drought in the south will be more serious than normal, while drought in the north will continue for some time. On the question of plant diseases and insect pests, this year plant diseases and insect pests are expected to break out early, affect a large area and inflict serious damage. Cotton bollworm, in particular, will pose a serious threat to cotton production. On the question of the ability to resist natural disasters, due to shortfalls in agricultural input, some of the long-term and fundamental problems have not been resolved and agriculture is vulnerable in the face of drought and floods. Bollworms have been an important factor restricting cotton production in recent years, but their prevention and treatment have not yet been resolved.

2. The macroeconomic environment for peasants to increase their income will not be as good as in the previous year. First, the extent of price rise for agricultural products is unlikely to be as high as in 1994. Second, out of the overall need to control inflation, the rate of growth of non-agricultural industries will be lower than in 1994. At the same time, the drift of the rural labor force to the cities will be on a conspicuously smaller scale than in 1994. However, seen from the angle of increased expenditure, the pressure borne by peasants is still very great. First, price hikes are big in the rural areas and have been increasing at a faster rate than in the urban areas. In the first half of the year, the rural consumer price index was 122.6, 1.3 percentage points above the urban index. Second, prices of agricultural raw materials soared more fiercely in the first half of the year than in 1994, with the price index reaching 130.5. This is bound to push up the output costs of agricultural units. Third, there has been a rebound in peasants' burdens in some places. Fourth, some places have not been allocated the necessary state purchase funds, and this will lead to the issuing of "IOU's" if things are not handled well.

3. The above-mentioned increased expenditure factor will seriously affect agricultural production. In particular, the soaring prices of agricultural raw materials are slowly eating up the fruits of the policies for readjustment of agricultural products introduced in 1994. This is not conducive to the stabilization of peasants' enthusiasm for production and will pose a great threat to agricultural production this year, particularly the production of autumn grain.

4. There are many uncertainties in the operation of the rural economy. First, pig production has been hit by

slow sales and falling prices. In some places, people are selling their pigs before they are fully grown, dumping their piglets and even slaughtering their sows in large numbers. The reasons are complicated, and such a situation is not conducive to the stabilization of pig production if allowed to go on. Second, the grain market is confronted with two salient problems: On the one hand, there is great disparity between the state purchase price and the market price. On the other hand, the building of a system of grain markets is lagging a long way behind the need for macro-control of grain markets. In particular, the building of the hardware of wholesale grain markets is far from adequate, and their functions and motives do not meet the needs of the market economy. These two factors will seriously affect the normal operation of grain markets. Third, some places have excessive inventories of oil-bearing crops and have "difficulties selling the products." This will be an unfavorable factor for production in the whole year.

Prediction for the Whole Year

Favorable conditions and unfavorable factors exist side by side where prospects for the whole year are concerned. Summer grain has been increased by 2.25 billion kg, and the output of early rice is also expected to increase. Last year, summer grain and early rice reported a drop of 5 billion kg, but this year they are expected to increase by 5 billion kg, approaching the 1993 level. Barring any major disasters, grain output may reach 455 billion kg this fall. Cotton output is likely to be at the same level as last year or show a slight increase, but will have difficulty attaining the targeted 90 million dan. The total output of oil-bearing crops will be about 21 million tons, another all-time high. The total output of meats will exceed 50 million tons for the first time, while the output of aquatic products is expected to approach 25 million tons, up 15 percent from the 1994 figure. The total added value of agriculture for the whole year can expect to increase by 3.5 to 4 percent. The total output value of township enterprises will increase by about 25 percent after allowing for price rises, a drop of 3-4 percentage points. Peasants' per-capita net income will register real growth of over 4 percent after allowing for price rises.

Based on the above predictions, the situation of the supply of and demand for agricultural products for the year will be as follows: On the whole, the basic pattern of balanced supply and demand will see little change. Let us look at the products one by one. Thanks to increases in output and imports, supply and demand will be better than in 1994 on the grain market if the state has sufficient sources of grain to regulate market needs. Supply and demand will be quite strained in the cotton

market as a result of two consecutive years of substantial drops in output. Cotton output dropped by 21 percent in 1992 and by 17 percent in 1993. Although output rose by 14 percent in 1994, it was still below the normal level. Since the target for this year is unlikely to be attained, supply and demand will become even more strained. As a result of substantial increases in output in the past few years, as well as the 26 percent increase in the summer harvest this year, the supply of oil-bearing crops will see a conspicuous improvement this year and the price of edible oil will remain stable for some time to come. The production of sugar has shown a slight increase over last year's figure. Moreover, in view of low prices on international sugar markets and increased imports, there are unlikely to be major problems in the supply and demand for sugar on domestic markets. The supply basis of animal and aquatic products has been fine all along. This year it looks like the general trend of brisk buying and selling will be maintained. However, there are likely to be local shortages in the supply of pork around the Spring Festival, and prices will fluctuate with supply and demand.

*Article Considers Reforming Rural Taxes, Fees

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[Article by Li Xiangang (2621 7359 0474) of the Ministry of Agriculture's Rural Cooperative Economic Guidance Department: "Study and Ideas on Reforming the Rural Tax and Fee System"]

[FBIS Translated Text] In the course of reducing the peasants' burden in recent years, some comrades have suggested reforming the current rural tax and fee system. Anhui's Taihe county, Hebei's Zhengding county, and Guizhou's Meitan county have taken the lead to set up pilot projects for that purpose. Recently, we conducted an on-the-spot study in the three counties and made that a topic of discussion in connection with the nationwide effort to ease the peasants' burden in hopes of solving the problem.

I. The Reform Background: The Overburdened Peasants

Taihe is a large agricultural county in Anhui Province. It has 31 towns and townships with an agricultural population of 1.3 million and 117,000 hectares of farmland. In 1994, it produced 524 million kg of grain, and the peasants' per capita net income was 878 yuan. A few years back, the peasants were shouldering extraordinary burdens. The local cadres called them the "seven excesses": Too many documents were issued at every level, from the central to the local governments, demanding money from the peasants; too many projects, ranging from more

than a dozen to scores, demanded money from the peasants; the peasants were expected to pay too much—more than a hundred yuan in some years, which took up more than 25 percent of their net income; too many organs at every step—from the county's directly-affiliated departments to the townships, villages, and groups—wanted money; everybody—from the secretary to the township mayor, the village group cadres, the people's militia, and public security organs—demanded money, and the situation was often likened to "10 big bonnets surrounding a torn straw hat"; too often—month after month and year after year—the peasants were asked to pay; and the peasants had too many complaints, because illegal means were used to take grain and money from them, resulting in a tense relationship between cadres and the masses and even driving some to their death. For those reasons, the local party committee and government suggested "using reform to resolve the problem of the peasants excess burden."

Zhengding is Hebei's main grain-producing county and is also one of the province comprehensive reform pilot counties. It has 24 towns and townships and an agricultural population of 500,000 with 35,000 hectares of farmland. In 1994, it produced 334 million kg of grain, and the peasants net per capita income was 1,585 yuan. In recent years, its agricultural production has been plagued by two major conflicts. One was the lack of comparative advantage in grain-growing. Peasants working on the land for a whole year earned less than people who went out to work for a month. In addition, the county had a stiff grain procurement responsibility (accounting for 14 percent of the total grain production,) and the "price differential" between procurement price and market price has adversely affected the peasant income. The other conflict was the ever-increasing fees of all sorts; they were out of control. In 1993 alone, the county had 504 items on its elimination list, but as soon as old items were removed, new items were added. The problem of the peasants excess burden basically remained unsolved.

Meitan is a poverty-stricken county in Guizhou province and is one of the nation's rural reform experimental areas. At one time, it also experimented with rural land reform. The county has 15 towns and township and an agricultural population of 380,000 people with 31,000 hectares of farmland. In 1994, it produced 198 million kg of grain, and the peasant had a net per capita income of 810 yuan. In 1993, in conjunction with its effort to ease the peasants burden, the county conducted a thorough study of the peasants taxes and fees: The per mu (0.0667 hectare; same below) agricultural tax was 20.7 kg of paddy, which amounted to 5.78 percent of the per mu grain output and 1.96 percent of the per mu

GVAO at a tax rate of 11.06 percent. The per capita village retention and township centrally-gathered fees came to 8.45 yuan, or 1.56 percent of the per capita net income. Also, there were all sorts of administrative fees, fund gatherings, apportionments, and other social burdens which took up around 2 percent of the per capita net income. Thus, although the absolute value of the peasants burden was not excessive, the taxes and fees clearly were unreasonable in the way they were computed, collected, settled, and managed. In particular, the social burden outside of taxation and retained fees were arbitrary and out of control, and the peasants were upset. For this reason, Meitan county took the initiative to pilot the rural tax and fee system reform in May 1994.

The above situations demonstrate a similar reform background: "State taxes are by no means low, collective retention is steep, and social burden is out of control." Specifically, although the state is implementing a light-tax, stable-tax system with regard to agricultural and special product taxes, the peasants are paying a "hidden tax" for the fixed quota procurements (including agricultural tax and contract procurement) due to the differential between market and procurement prices. Also, the amount of farmland has shrunk but the acreage based on which agricultural tax is levied has not been changed; and adding the prevalent phenomenon of redundant special product and agricultural taxes and the equal apportionment of special product tax, the peasants actual taxes are actually much higher than the nominal taxes. Although the retained centrally-gathered fees have a "5 percent" cap, this is based on the net income index of the total income of the township's agricultural, industrial, and commercial sectors, and while the rate must not exceed 5 percent of the previous year per capita net income, because the household income in the villages is uneven, objectively, this means a heavier economic burden on the low-income peasant households. Also, some localities artificially raise the per capita net income level to collect more fees from the peasants which also increases the "water content" of the 5 percent cap. As for the many administrative fees, fund gatherings, fines, apportionments, and other social burdens, despite clear efforts since 1993 to curb them, because the government's administrative behavior is irregular, and department interests are unrestrained, the financial system is flawed, and reform measures are lagging, there is no effective control. The dual, urban-versus-rural, economic structure and the price scissors between agricultural and industrial products created by the traditional economic development strategy pose even greater "hidden burdens" on the peasants.

II. The Main Approach: Combining Taxes and Fees

Taihe, Zhegding, and Meitan counties are in three different provinces, and although their economic bases are different and their peasant income are disparate, they all face the same task; and that is to deal with the relationship between deepening reform and economic development and efforts to protect the peasants' legal rights and privileges and ease their burden. The three counties have simultaneously proposed to reform the existing rural tax and fee system.

1. Taihe county approach: Abolish fixed quota grain procurement and implement a system of in-kind taxes and fees. The idea is to merge the agricultural tax, special product tax, village retention, and township centrally-gathered fees into one and collect grain instead of cash; the amount is fixed for several years at a time. Specifically, 1) Since 1994, the county has abolished its fixed quota grain procurement contracts with the peasants and has implemented an in-kind tax and fee system. After fulfilling their agricultural tax and fee payment responsibilities with quality grain, the peasants pay no more agricultural tax, special product tax, village retention, and township fees and may refuse to bear all other illegally-assigned burdens. 2) Peasant households contracting farmland and units with other agricultural income, whether they plant crops or manage other businesses, must make in-kind payment to the state based on the amount of farmland. 3) In normal years, each mu of farmland is levied 50 kg of grains at a 60-40 ratio for summer and fall, with 60 percent wheat and 40 percent corn. This is based on medium grade grain, and the amount is fixed for a period of three years. Those who cannot deliver the wheat and corn may pay in other varieties of grain based on the equivalent monetary value. Those who truly have trouble may pay cash based on the current year market prices as determined by the county peasant burden monitoring and administration, product prices, and financial departments. 4) Villages, groups, and peasant households without farmland may, with the county people's government's permission, be exempt from in-kind payments, but they must pay the village retention and township fees of no more than 5 percent of the previous year per capita net income based on the number of people in the household. For villages, groups, and peasant households with little per capita farmland, with the county people's government's permission, besides levying taxes (or its cash equivalent,) retained centrally gathered fees of no more than 5 percent of the previous year per capita net income may also be levied; the total tax and fee amount should be below the medium level of the local peasants average burden. 5) The poverty-stricken households may, upon approval,

be granted tax exemption or reduction. The exemption or reduction rate must be within 3-5 percent. In the event of crop failure due to force majeure, following the reporting and approval procedure, exemption and reduction (or cash equivalent) may be granted. There is no increased in-kind levy (or cash equivalent) on higher income generated by higher yield as a result of scientific farming, intensive and meticulous farming, or improved administration and management. There is no reduction, in kind or in cash, for lost income due to lower output resulting from extensive operation and derelict work. 6) The financial department guarantees a certain scope of loans for the in-kind levies and makes sure that they are promptly available. 7) The peasants in-kind payment is converted to cash by the grain station; the retained fee portion is settled and managed by the economic management station; the tax portion (the original quota base remains unchanged) is handed to the financial bureau; the remaining portion is kept in a special account by the township financial bureau. 8) The township government and village collective economic organizations sign in-kind levy contracts with the peasant households. The peasants have the right to refuse all arbitrary apportionment, fund gathering, and fee collection that are in violation of the contract; they have the right to report and appeal. 9) The people's court must follow the law in handling cases brought by the peasants regarding their expenses and burdens and other labor and administrative disputes. Unreasonable decisions are rescinded according to law. Peasants are legally entitled to compensation for losses due to arbitrary apportionment; personnel responsible for increasing the peasants' burdens which results in vicious incidents or serious losses will be prosecuted according to the law. 10) Grain departments at all levels are prohibited from down-grading, suppressing prices, short-changing the peasants at the weigh scale, or cheating and entrapping the peasants; violators and the pertinent leaders will be prosecuted according to the law.

2. Zhegding county approach: The "public grain system." The idea is to collect in-kind taxes and fees which are included in the fixed quota purchases; rights and responsibilities are specified, and standard tax forms are used. Specifically, 1) in-kind tax and fee collection means combining the agricultural tax, village retention, township centrally-gathered fees, and other peasant obligations into one, and instead of cash, payments are made in kind (known as public grain) and without compensation. The amount of public grain is based on the sum of agricultural tax and retained fees divided by the price of grain (that is, agricultural tax + retained fees/grain price). The agricultural tax is assessed according to the "Agricultural Tax Regulations" and the retained

fees are determined according to the "Peasants Expenses and Labor Service Management Regulations" (referred to as "Regulations" below); it should be kept to below 5 percent of the previous year per capita net income, and the grain price is based on the state procurement price. 2) To be included in the fixed quota procurement means the state assigns the procurement duty but only to the counties and not the townships (towns,) and meanwhile it is up to the townships (towns) to assign the public grain duties. The public grain collected is included in the state fixed quota procurement plan; the grain department is responsible for collection according to the state fixed quota procurement policy and for settling the public grain money with the township (town) government. The grain department also makes its own purchases according to the grain procurement policy to remedy any public grain and fixed quota procurement shortfall to guarantee completion of the state procurement duties. 3) Specific rights and responsibilities mean clearly-defined rights and responsibilities of all parties involved in and related to the reform of the public grain system. The grain department must make purchases according to the state procurement policy, and it is stipulated that accounts be settled with the township (town) financial bureau within one week after completing the procurement duty; retained centrally-gathered fees must be settled with the township (town) economic management station within one month. The township (town) government is responsible for going after late public grain deliveries on the one hand, and on the other hand, it is not permitted to collect any money or in-kind goods from the peasants other than the public grain. The Agricultural Bank makes sure that the public grain procurement funds are available. The peasant households must deliver the required amount of public grain on time and have the right to refuse all other arbitrary fee collection and fund gathering and apportionment. 4) Standardized tax form refers to the system of using tax completion forms which converts the agricultural tax and retained fees into in-kind payment based on the grain price, and the amount is entered into the form; the government collects and the peasants deliver the grain accordingly. After the peasants deliver the public grain for free, the collection department should write "tax paid" and seal it with the official stamp.

3. Meitan county approach: Eliminate fixed quota grain procurement; convert all taxes and fees into in-kind payment; set the rates for a period of several years; in-kind levies are used to supplement fixed procurements, and shortfalls are made up by the grain department's direct purchase in the market at competitive prices. Specifically, 1) rent and fees are converted to tax, and all taxes and fees are combined.

The village retention and the town's centrally gathered fees are turned into local agricultural tax surcharge. The portion of the original agricultural tax itself remains unchanged, and the local surcharge portion of the agricultural tax and the retained centrally-gathered fees are called local agricultural tax surcharge. Based on this method, the county local surcharge accounts for 38.7 percent of the agricultural tax. The agricultural special product tax, farmland occupation tax, land deed tax and so on are retained, and the method of collection also remains unchanged. 2) The amount levied is stabilized on a fairly long-term basis. The new agricultural tax and its local surcharge for 1994 was stabilized as collected in kind in 1993. The portion of the original agricultural tax itself and the surcharge remained unchanged and were converted to in-kind amount based on the 1993 index. The original retained fees were collected based on the 1993 cash amount converted at settlement price to in-kind payment. Also, total amount to be collected from the households is determined, and it will be set for several years. 3) Accounts are settled on a man-to-land basis at a reasonable tax rate. In the mix of the new agricultural tax, the original agricultural tax and village retention are classified as land rent and land tax and are collected based on acreage. The educational surcharge, militia training, special benefits for veterans and their families, family planning, road repair and construction and other township centrally-gathered fees are regarded as part of the social safeguard, public welfare, and compulsory educational outlay and are apportioned based on population size. 4) The accounts are settled reasonably and a fund is set up. Upon centrally collecting the in-kind agricultural tax and local surcharges, there is no more cash settlement relation between the collection department and the peasant households; instead, the grain department settles with the township (town) financial administration. The portion of the agricultural tax itself is handed to the state financial ministry; the local surcharge is handed to the township (town) financial administration. The retained centrally-gathered fee portion of the surcharge is settled based on the median price (higher than the settlement price of the agricultural tax proper but lower than the market price). The price differential resulting from the settlement of the original agricultural tax is used to build a grain risk fund; the price differential resulting from the conversion of the agricultural tax local surcharge to in-kind payment is used to build an "agricultural tax surcharge fund" after all expenses are paid; surpluses will be used to supplement shortfalls.

The above three tax and fee system reform approaches may differ in form, but they share some common characteristics: One, taxes and fees are merged; two, they all start out by reforming the grain procurement

and marketing system; three, to a certain extent, they simplify the types of taxes and fees and strive to curb the arbitrary fee collections, fund gatherings, and apportionments.

III. Analyzing the Results: There Are Pros and Cons

The reform experiments in these three counties have gone on for a year, and the results show:

1. **Increased financial revenues:** Taihe county bought 47.43 million kg of grains to fulfill its 1993 procurement duty, and in the first year of its pilot project, its in-kind levy topped 87.857 million kg, nearly double the previous amount. The county collected 11.50 million yuan in agricultural tax and special product tax in 1993, and the cash equivalent of its in-kind collection was 24.649 million yuan in 1994, a 1.97-fold increase. Zhengding county agricultural tax increased from 3.42 million yuan in 1993 to 5.62 million yuan in 1994, and adding the 15 percent local surcharge, its revenue increased 79.7 percent. The county agricultural tax per peasant was 14 yuan in 1994, 6 yuan more than in 1993. For Meitan county Xima township and Yongxing town, two of the county's pilot points, income increased 587,400 yuan between 1994 and 1993; real financial revenues increased 93.4 percent. Specifically, retained fees accounted for 25 percent of the total revenue increase, the adoption of median price increased revenues by 31.9 percent, and the boosting of settlement price increased revenues by 42.9 percent.

2. **Guaranteed state grain sources:** In 1994, upon combining all taxes and fees, Taihe county's autumn fixed quota wheat procurement came to 44.50 million kg and in-kind levy came to 49.93 million kg, and in only 7 days, 52.58 million kg of grain was put into its reserve through the in-kind levies or purchases at the negotiated price. In 1994, because of the reform of the tax and fee system, Meitan county Xima township stored 925,000 kg of rice, 485,000 kg more than last year, a 110 percent increase.

3. **Stabilized the peasants direct burden as contracted:** In Taihe county, each mu of land is levied 50 kg of grain a year; the rate is fixed for a period of three years, and it is estimated that for the three years, a total of 240.345 million kg of grain can be collected, which is equivalent to 242.507 million yuan, and adding the cash collection of 1.269 million yuan from households with less than half a mu of land per capita, the total comes to 244.004 million yuan. According to the principle of separation of taxes and fees, agricultural and special farm product taxes come to 93.903 million yuan; retained centrally-gathered fees come to 150.101 million yuan, which averages 37.3 yuan per person, or

4.66 percent of the net income and 9.3 yuan less compared to the 46.6 yuan per person per year in the three years prior to reform (1991-1993). In Zhengding county, 5.62 million yuan in agricultural tax was collected in 1994, and adding the 15 percent surcharge, its agricultural tax was 79.7 percent higher compared to the 3.42 million collected in 1993. The county's peasants paid 6 yuan more in agricultural tax per capita in 1994 than 1993. Retained centrally-gathered fees came to 16.43 million yuan in 1994, 1.89 million yuan more than in 1993, accounting for 3.41 percent of the year per capita net income, at 4.05 yuan more per person compared to the previous year. In Meitan county Xima town and Yongxing township, the peasants agricultural local surcharge (retained centrally-gathered fees) was basically stabilized after the tax and fee system reform.

4. **Eased the conflict between cadres and the masses.** Cadres in all three pilot counties agree that collecting the retained centrally-gathered fees has become much easier, unlike in the past, when they had to go after money and grains year-round. Today, taxes and fees are combined and collected once and for all, solving many problems at the grass-roots level. The peasants say: "We understand and accept that taxes and levies are mandatory. So long as the government settles things once and for all and does not come back for more again and again." Also, after changing to in-kind levies, over 90 percent of the payments are settled through transferred accounts, easing the pressure of issuing IOU's in grain procurements and reducing the fund circulation links which facilitates the financial department's macro fund regulation and control.

But judging by the actual process of tax and fee system reform in the three counties, there are limitations: 1) The peasants social burden is difficult to control. When we talk about easing the peasants load, it is often limited to "retained centrally-gathered fees of 5 percent of the peasants previous year per capita net income," but in fact, to gauge whether the peasants burden is too heavy, we have to look at all taxes paid; that is, the taxes they pay to the state, the price scissors between industrial and agricultural products, the village retention and township centrally-gathered fees, compulsory services and accumulation work, the many fees for administrative undertakings, and the fund gatherings and apportionments and fines. Looking at the peasants burden nationwide and taking 1994 for example: Taxes came to 114.06 billion yuan, or 128.45 yuan per person, accounting for 15.33 percent of the previous year per capita net income; village retention and township fees came to 36.58 billion yuan, or 41.13 yuan per person, accounting for 4.91 percent of the previous year per capita net income; labor and services (compulsory work

and accumulation work,) determined according to the "Regulations," came to 5-10 units of compulsory work and 10-20 units of accumulation work per rural labor force per year, which if based on 300 effective labor days per labor force per year, accounted for 10 percent of each labor force income-earning hours; and at 5 yuan per person per day, this amounted to around 15 billion yuan, or 16.89 yuan per person, equivalent to 2 percent of the previous year per capita net income. According to the relevant departments' incomplete data, various administrative undertaking fees, fund gatherings, fines, and apportionments nationwide came to 30 billion yuan, at an average of 33.78 yuan per person, or 4.03 percent of the previous year's per capita net income; and as for the price scissors, according to the State Statistical Bureau, each year from 1990 to 1992, surpluses transferred in the form of price scissors came to 96.9 billion yuan, 135 billion yuan, and 164.7 billion yuan respectively, and in 1994, although the price scissors between industrial and agricultural products narrowed by 16.2 percent, the per capita burden still exceeded 20 percent of the previous year per capita net income. Clearly, taxes and retained fees make up only a small portion of the peasants total burden, and reform of the tax and fee system in the three counties only ease some of the peasants problems; and for resolving the main conflicts contributing to the peasants excess burden, the social burden and the price scissors burden, they appear too difficult to control. Although the three counties, especially Taihe county, have specifically drawn up regulations to "ban all illegal fee collections from the peasants" to achieve the goal of "big contract of taxes and fees," after implementing in-kind levies, the peasants in fact still cannot refuse the burdens introduced according to legal procedures by the above-county-level governments and departments. In other words, it does not mean that upon paying in-kind taxes and fees, the peasants have no other monetary or in-kind obligations. Even if the counties do not apply to impose new levies, the higher level authorities can still legally add more burdens. For counties, townships, and villages without guarantee of sufficient financial strength and collective accumulation, if the school buildings need repair or if there are roads be built or other major public undertakings, they inevitably have to raise money from the peasants; also under the existing system, the price scissors burden remains, and the illegal introduction of the "three arbitrary"—arbitrary fees, fund gatherings, and apportionments—is still rampant, and in fact, there is a "double track" system. 2) The principle of fair share of taxation is unattainable. In Zhengding county's "public grain system," agricultural tax is based on the amount of farmland and the retained fees are based 50-50 on population and area. This method is simple but there are also problems in

practice. For example, since Zhengding county undertook the big contract, in many villages, the peasants contracted farmland has not been readjusted, and around 15 percent have less than half an acre of land; some have no land, and there is a serious man-versus-land conflict. For these peasant households that have little land and no other service or business resources, delivering grain under the "public grain system" truly poses a hardship, and in the event of a poor grain harvest, the problem is even more serious. Contrarily, for peasants who have transferred their land contract and are in the secondary and tertiary industries, although their income is clearly higher than peasants who work the land, they have to deliver little public grain, and as a result, the "high income households bear a light burden," and this problem gets even worse when the market price of grain soars. Taihe county levies its agricultural tax, special product tax, and retained centrally-gathered fees based on 50 kg of grain per mu of land. It extends the agricultural special product tax to almost all peasant households; even households that do not plant special crops have to pay an averaged tax, and little distinction in retained and centrally-gathered fees is made among villages, groups, and peasant households with different income, which is bound to increase the peasants burden, especially for those who grow grain. This is an especially acute problem in localities with a well-developed secondary and tertiary industry. 3) It is difficult to put the retained centrally-gathered fees and other collective funds to collective use. When the peasants pay the village retention and township fees to the village collective economic organizations, it is a form of allocation within the collective economy based on the village collective ownership rights, and in essence it is a form of allocation for regulating the economic results within the community and a way to finance public welfare undertakings and increase expanded reproductive capability. This allocation system requires people to "spend on the village what they take from the village." Looking at the past history of "egalitarian and indiscriminate transfer of resources" and today's massive loss of collective assets, the phenomena of egalitarian transfers, unauthorized use, and taking up of collective funds have become a problem in the next step of day-to-day monitoring and administration of the peasants burdens. Judging by the results of the examination of the peasants burdens conducted by the State Council over a three year period, although the State Council "Regulations" clearly stipulates that retained centrally-gathered funds are collective funds, to be spent primarily on the collective economic organizations in the villages, some localities have been using the money to supplement government financial shortfalls or balance county and town budget deficits or have allowed relevant departments to move and spend that money, so

that there is no fund guarantee for projects for which the funds are actually earmarked. The village public accumulation fund has no source of income, and funds needed for public welfare undertakings must be raised again. The main reason for these problems is poor management of collective funds. With respect to the tax and fee reform in the three counties, except for Taihe county which has clear stipulations, the settlement and management of retained centrally-gathered funds is a weak link. There is also no guarantee that the "third chunk" of money (the remaining part of the in-kind grain money after dispensing the agricultural tax, special product tax, village retention and centrally-gathered town fees) is spent on the village collectives. Looking at Meitan county land reform several years ago, at first the "land-use fees" delivered by the peasants were spent on the collective economic organizations, but a portion was used to subsidize financial deficits or a percentage was retained as department management fee. Thus, strengthening the effective management of collective funds and developing and boosting collective economic strength are important parts of the tax and fee system reform.

Also, judging by the actual implementation of the three counties reform programs, there are several other factors worth considering: 1) The relationship between grain collected as in-kind tax and fee and grain purchased as part of the state fixed quota procurement must be handled properly. The state grain procurement must be stable and quantity must be guaranteed, but the amount of in-kind tax and fee collection is affected by many factors: One, as the per capita net income and market situation change, retained centrally collected fees become a variable, and so are grain prices, and therefore, the amount of in-kind taxes and fees is difficult to ascertain. Two, given that some cash levies are permitted, if the differential between the state fixed procurement prices and the market prices widens, it is possible that more peasants will choose to pay money instead of grain which will affect quantity. Three, if we simply turn the state fixed quota procurements into in-kind tax and fee collection, as grain prices rise, the retained fees will become very high and may exceed the 5 percent per capita net income cap; and if grain prices fall, the retained fees will be low, which will affect the township and village normal income and entice some to start arbitrary collections. 2) The relationship between in-kind taxes and fees and the adjustment of rural industrial structure must be handled properly. As the market economic system is gradually established, the peasants are adjusting their industrial mix and mix of crops according to market demands; they are developing secondary and tertiary industries to increase income. But the in-kind tax and fee collection is set for several years and is based on the amount of land, and to some

extent, this restricts the division of labor and the shift in the labor force. 3) The relationship between the tax and fee burden and the labor and service burden must be handled properly. Judging by the programs in the three counties, the peasants compulsory services and accumulation work have been ignored which is a loophole.

IV. Macro Suggestions: Insist on Treating the Disease and the Symptom

The peasants burden is not an independent problem. It reflects the many deep-seated problems in rural reform and even in the nation's economic development. It involves the state's financial tax system, rural organizational system, town-versus-country and industry-versus-agriculture relationships, and even the readjustment of the allocation of the state's key factors, the delineation of rural property rights relations, and the standardization of the government's administrative behavior. To basically resolve the issue of the peasants' excess burden and smooth the relations between the state and the peasants, as the restructuring of the entire economic system gradually falls into place and as the socialist market economic system is slowly being established, we should adopt the idea of "curing the disease and the symptom" to gradually sort out and standardize all economic factors that affect the peasants' burden.

1. Seek reform measures that comply with and serve the bigger picture of stability and development to ease the peasants' burdens. In recent years, in an effort to find effective ways to ease the peasants' burden, many localities have attempted bold experiments; and besides the three counties' reform of the tax and fee system, there have been pilot projects to streamline organs and personnel, develop and boost the collective economy, separate the peasants' burden from that of the secondary and tertiary industries, and legislate the management process, etc. These have provided some useful lessons in solving the peasants' burden at the macro level, but regardless of which approach, we should uphold several basic premises: The first is the premise of not increasing the peasants' burden, because only in this way can we win the masses of peasants' support and safeguard the state's stability. The second is the premise of increasing the peasants' income, because only in this way can we mobilize the enthusiasm of the masses of peasants and promote social progress. The third is the premise of not reducing the state tax revenues, because only in this way can the government retain its ability to manage and serve society. The fourth is the premise of not changing the social system, because only in this way can we build a socialism with Chinese characteristics. The fifth is the premise of not violating state laws, because only in this

way can we propagate the experiences of the reform pilots.

2. For the "Ninth Five-Year Period", at least, we should concentrate on implementing the central authority's existing policies and laws and regulations on burden-easing. Today, China's economic system is at an historical turning point, changing from the old to the new system, and we should admit that the existing laws, rules and regulations, and policies pertaining to the peasants' burden are clearly transitional; and in the future, as the socialist market economic system is gradually being established, the system pertaining to the peasants burdens will be restructured. But we should also see clearly that the state and the localities financial situations will continue to be tight for some time. Administrative fees covering several hundred items and costing hundreds of billions a year will be difficult to abolish immediately, the price scissors problem will not be resolved overnight, and it will be several years before government activities are standardized. At the same time, we should also see that resolving the peasants burden is not only an economic issue but also a political issue and is very complicated. We cannot radically cure the problem in a year or two using a single method. Therefore, we should put the emphasis of resolving the issue of the peasants burden on diligently implementing the pertinent regulations in the "Agricultural Law" and the "Regulations" and other policies and laws and regulations; we must not ease up and must not sway, at least during the "Ninth Five-Year Period." At the same time, we should intensify the monitoring and control of the peasants burden.

3. The relationship between the state and the peasants must be smoothed by continuously sorting out the tax and fee system. The state has two main policy goals: One is to diligently protect the peasants interests and increase their income; the other is to ease social conflicts and maintain social stability. The essence is to properly handle the relationship between the state and the peasants. Therefore, we must insist on sorting out the relationship between the tax and fee system and the pertinent economic functions.

1. Stabilize taxes and manage fee collections: This means stabilizing the current tax rates (including agricultural tax, special product tax, farmland utilization tax,) centrally rectifying the arbitrary collection of fees, and establishing a strict fee—especially administrative fee—management system by allowing only the central and provincial governments to set and approve taxes. The distinction between government and enterprise undertakings should be delineated, the two-line management of administrative fee revenue and expenditure should be strengthened, and fee collections by adminis-

trative and law enforcement organs should be gradually phased out. At the same time, institutional and commercial service fees should be standardized in accordance with market economic demands, and an appropriate fee collection monitoring mechanism should be set up. All fund gathering and fund items involving the peasants must strictly be on a voluntary and compensated basis, and a management system should be set up to complement the setup. This program may be adopted at the current level of economic development and under the current political situation.

2. Adjust taxes and reduce fees: This means raising the agricultural tax and standardizing and reducing the financial administration's spending of the townships centrally-gathered fees. Primarily, the agricultural tax rate should be adjusted to 5-6 percent (to be determined with reference to foreign tax rates and in consideration of China's own farm output), and the revenues should be managed under the classified tax system. The financial administration should pay for expenses they are responsible for but are currently paid out of the township and village retained centrally-gathered fees. The existing number of fund items collected by the townships should be adjusted, the percentage of outlay from the township funds should be lowered, matters to be undertaken by the collective economic organizations at the village and at the township levels should be delimited, and the management of collective assets must be centralized. Social welfare undertakings should be taken care of by the financial ministry if they are the state responsibility, by the collectives if they are the collectives duty, and by the peasants if they are their obligation. This program should be implemented after the state and local financial situations have clearly improved, and an appropriate tax and fee monitoring mechanism should also be set up promptly.

3. Make taxation aboveboard and abolish fees: This means raising the agricultural tax rate in an open and above-board manner (land tax should be based on output and should be collected primarily in kind and supplemented by cash payments, and population tax should be based on income or land-to-population ratio; the total should be about 10 percent of the peasant income. The usual income-based international practice has more drawbacks than advantages). A part of the taxes should be handed to the financial ministry, which in turn allocates the revenue among the different levels according to the classified tax system. The remaining portion should be kept as a collective surcharge tax and settled at below the county level and refunded by the financial administration to the collective economic organizations to be used mainly to pay the township and village public servants and cadres, the village

and township social undertakings, and the collectives economy expanded reproduction accumulation. Other than paying taxes according to the law, the peasants will no longer accept any other burden. This program should be premised upon the establishment of the market economic system and an ownership system that does not violate the constitution and must meet the following three basic requirements: 1) The government administrative conduct should be standardized. 2) The financial department must include all the administrative organs and some institutions necessary financial outlay in the budget. 3) All administrative fees and some institutional fee items should be abolished. In the long run, "making taxation above-board and abolish fees" is the proper direction of reform.

4. Standardizing the government administrative conduct is an essential long-term, systematic project. It should be made clear that the expenses incurred in performing administrative functions by society's administrators, including the town and township grass-roots organizations, should be funded by tax-financed appropriations. Today, we should at least achieve the following: 1) Perfect the existing financial administration system and diligently separate revenues from expenditures, resolutely abolish the government functional and law enforcement departments practice of subsidizing their financial shortfalls by raising money from the peasants, sever the "umbilical cord" between their administra-

tive functions and their economic interests, and prevent the government from becoming departmentalized and enterprise-like. 2) In accordance with the principle of separation of government and enterprises and politics and business, we should strictly delineate governmental duties from nongovernmental duties, and sort out the nonpublic finance items. What the financial ministry is entitled to should be allocated in full, and not a cent should be given if it is not entitled to it. 3) Government organs should be streamlined, idle personnel should be eliminated, and the state financial and peasants burdens should be eased. These are done in countries around the world. 4) We should strengthen the construction of an honest government, diligently rectify the corrupt phenomena in government today, and drastically lower the cost of management.

*State Sets Sugarcane, Beet Procurement Prices
95CE0593W Nanchang JIAGE YUEKAN in Chinese
15 Aug 95 No 8, p 43

[FBIS Summary] On 2 June the State Planning Commission set the guidance procurement price for sugarcane and beets at 230 yuan and 280 yuan respectively. The price may float upward or downward but the deviation is not to exceed 10 percent. Every provincial price bureau is allowed to set the price within the stipulated range.

Northwest Region

New Qinghai Journal Begins Publication

SK2909070895 Xining Qinghai People's Radio Network in Mandarin 2300 GMT 28 Sep 95

[FBIS Translated Text] The ceremony to mark the first publication of QINGHAI XINXI BAO [QINGHAI INFORMATION JOURNAL] was held in Xining on 28 September. Attending the ceremony were responsible persons of the provincial party committee's propaganda department, the provincial planning commission, the provincial press and publication bureau, and other departments concerned. QINGHAI XINXI BAO is sponsored by the provincial information association. Speaking at the ceremony were (Zhao Senlin), deputy director of the propaganda department of the provincial party committee; (Zhu Shen), chairman of the provincial planning commission; and responsible persons of departments concerned.

They expressed hope that by earnestly following Comrade Deng Xiaoping's instructions on exploiting information resources to facilitate the construction of Qinghai, this journal will unite the vast numbers of information workers to successfully exploit and utilize information resources and render good information service in an effort to transmit the high-quality information items to the vast numbers of customers and readers in an accurate and timely manner. At the same time, it is hoped that this journal will have its own unique characteristics, orient itself to customers and Qinghai's economic development, and better serve the economic construction of Qinghai.

An Qiyuan Views Shaanxi, Regional Development
SK2909033195 Xian SHAANXI RIBAO in Chinese
26 Aug 95 pp 1, 2

[Speech by An Qiyuan, secretary of the Shaanxi Provincial CPC Committee, at the third joint conference of the five provinces and regions in northwest China on 22 August; place not given]

[FBIS Translated Text] Since August 1994, like brotherly provinces and regions, we have made unwavering efforts to implement the guidelines of the second joint conference. Here, I am going to give several opinions according to the actual conditions of Shaanxi Province and in line with the major topics of this conference to "strengthen cooperative development and accelerate the pace of eliminating poverty and seeking wealth."

1. On the Issue of Cooperatively Opening to the Outside World and Making Development

Accelerating the pace of economic development in northwest China is the common aspiration of the vast

number of cadres and people in the five provinces and regions of northwest China. After the first joint conference held in 1993, we have reached common understanding about major issues on expanding the scale of opening to the outside world, jointly pioneering ports in the west, making good use of natural resources, and making joint development. Simultaneously, we also studied and explored the major strategic idea of developing the economy in northwest China. At the end of last year, we set forth the work principle of "grasping major matters and their implementation" and the strategy of "promoting development through opening up and making progress through development." We use the open policy to dominate the overall economic situation with a view to grasping the favorable opportunities at home and abroad, to expanding the scale of opening to the outside world, to forming as quickly as possible a new pattern of opening ourselves wider to all directions, to expand the dynamics of developing natural resources, science and technology, and domestic and international markets, and to promoting a high-speed and high-efficiency development of the national economy. Our principle and strategy were set forth according to the central requirements for accelerating the pace of opening the central and western areas to the outside world, expanding the dynamics of making investment in the infrastructural facilities and basic industries of the central and western areas as well as according to the guidelines of enabling the five provinces and regions in northwest China to make joint development and to jointly pioneer ports in the west.

Comrade Xiaoping said that "The world at present is an open one." Along with the rapid development of science and technology and the ceaseless improvement of socialized and internationalized production, nations and regions become increasingly closer through economic infiltration and interrelation, and become economically more supplementary to and dependent on one another. Whether or not a country or a region can successfully develop its economy depends to a great extent on its ability in grasping the changes in the economic situation of the world and participating in the international market competition. The gigantic changes in the southeastern coastal areas and the sudden appearance of the development belt along Chang Jiang result from the implementation of the open policy. Practice showed that the deeper the degree of opening to the outside world is, the higher the layer of opening up, and the wider the sphere of opening up, and the greater achievements in economic development we will create. In a sense, the degree of opening up and the dynamics of development are where we economically lag behind the developed areas in the east. Viewing the development history of Shaanxi in the past 10 years or more, we know that our

province made key headway in opening itself to the outside world, its foreign export trade volume witnessed an annual average increase of 9.6 percent, and the province used \$1.57 billion foreign capital. By opening to the outside world, the province has entered a new period of developing the national economy, and its GNP increased by 2.9 times over the figure 16 years ago. However, the province still far lags behind the coastal areas in terms of the economic growth speed and the development level. One of the important reasons is that our open level is still lower. The province's foreign export trade volume accounts for 12 percent of its GNP, and the amounts of foreign capital used only accounts for 4.5 percent of the total investment in fixed assets. These two major targets are nearly 50 percent lower than the national average levels and account for one fourth of the coastal provinces. We deeply believe that the degree of opening up greatly affects the development of the economy. It will be difficult for us to achieve development if we do not open ourselves to the outside world. We are only able to achieve small development when we do not open wider; and certainly we can make big headway when we open wider. The provincial work conference on promoting development through opening up, which was held not long ago, set forth the ideas and requirements of enhancing the awareness of opening up, vigorously improving the investment environment, and establishing a new pattern of opening wider to all directions so as to promote an earlier realization of the second-step strategic goal of economic development. Here, I introduce Shaanxi's strategic idea of opening up and development with a view to expressing such an aspiration as follows: We hope to work together with the comrades of the brotherly provinces and regions in northwest China to jointly do a good job in "expanding the scale of opening up, accelerating the pace of development, and realizing the goal of making common development." In the aspects of opening up and development, these five provinces and regions share common problems and are confronted with the same favorable opportunities, such as jointly pioneering ports in the west, jointly pioneering markets in Central Asia, East Europe, and the CIS, establishing the economic cooperation zone in northwest China, expanding the cooperation with the other economic zones at home, expanding the economic and technological cooperation with foreign countries, positively gaining central assistance, expanding the dynamics of developing natural resources, cooperatively improving basic agricultural production conditions, accelerating the development of the rural economy, eliminating poverty and seeking wealth as quickly as possible, and realizing the target of becoming fairly well-off as soon as possible. Simultaneously, the provinces and regions in northwest China also share the same advantages, partic-

ularly rich natural resources and raw materials. So, it is more necessary for us to strengthen cooperation and to promote development through cooperation.

To realize the goal of making common development, we are willing to unite and cooperate with the brotherly provinces and regions in northwest China in the course of expanding the scale of opening up and accelerating the pace of development and learn from others' strong points to make up for our weaknesses so as to promote economic development and social progress. We also suggest that the state can enable the northwestern areas to intensively process their own petroleum and to first satisfy their demands when distributing Xinjiang's cotton. Shaanxi has many conditions for strengthening cooperation. First, the people from higher levels downward across the province have reached common understanding about conducting economic cooperation with the northwestern provinces and regions, cooperatively opening themselves to the outside world, making common development, jointly pioneering western ports, developing border trade and foreign trade, and promoting economic development. Second, now, our province has established trade contracts with more than 100 countries and regions. So, we have noticeably upgraded the scale of creating foreign exchange through export, established a number of industry-trade and agriculture-trade export bases, and had an urgent demand for exporting our goods to the west. Third, along with the opening of the Lanzhou-Urumqi double-track railway line and the Baoji-Zhongwei railway line, the Lanzhou-Lianyungang-Urumqi railway line, linking up with the "Eurasian Continental Bridge," has noticeably enhanced its functions and greatly improves its transportation conditions. So, it is more convenient for us to further enhance the cooperation with other provinces, regions, and cities. Fourth, with scientific and technological and industrial strength, we can provide the northwestern provinces and regions with technological and processing services. We are willing to try our best to provide convenience and preferential conditions for these provinces and regions, to positively promote cooperation, and to have the northwestern areas gain their overall advantages, jointly make economic development, and seek economic prosperity.

2. On the Issues of Strengthening Agriculture's Role as the Foundation of the National Economy, Developing the Rural Economy, Eliminating Poverty, Seeking Wealth, and Stepping Toward the Target of Becoming Fairly Well-Off

The five provinces and regions in northwest China are joined by common mountains and rivers, have rich natural resources, and are extensively related to one another in economic and social development. We should

first rely on the stability and development of agriculture and the rural economy to bring our advantages into full play and to change the economically backward situation. According to the subjects discussed at this conference, I want to mainly introduce Shaanxi's situation of building water conservation projects, developing town and township enterprises, and helping the rural areas eliminate poverty and seek wealth.

A. Expand the dynamics of building farmland water conservation projects and improve the basic conditions for agricultural production.

Drought and deficiency of water are the common problems affecting these five provinces and regions' economic and social development. The practice over the past years made us understand that fundamentally solving the problems due to deficiency of water resources is of decisive importance to changing the living and working conditions of the people in the vast rural areas of northwest China and to promoting our country's economic development.

Over the past 40 years, our province has made great achievements in building farmland water conservation projects and built a large number of flood-control and irrigation projects. Now, our province has more than 1,300 reservoirs with a total capacity of 4.5 billion cubic meters and more than 14,000 large and small channels and irrigation facilities. Eleven irrigated areas each covering more than 300,000 mu of farmland have been established, and four of them involve more than 1 million mu each; and 7 million mu of farmland are irrigated with well water. As of the end of 1995, the province is expected to have 20 million mu of effective irrigated areas and 20 million mu of basic farmland with water conservancy projects. These water conservation projects have forcefully promoted the development of agricultural production and social undertakings. Our province has elevated its grain output to four levels from the sixties to now. Water conservation facilities have played a gigantic role in promoting the grain production. In normal harvest years, the province basically and steadily turns out about 12 billion kilograms of grain and is able to realize a low-level sufficiency in grain. Over the past years, with the goal of accomplishing the construction of "two 20-million-mu farming areas" ahead of schedule, we have focused our efforts to grasp the construction of farmland with "four improved conditions" in the Qinba mountain area, Weibei dry plain, Shaanbei area; to comprehensively develop the windy, dusty, and sandy areas in northern Yulin; and to transform the nine major irrigated areas in Guanzhong and develop some field supporting facilities in these areas; and also have made noticeable achievements in continuing the construction of the project for diverting Huang He water to Don-

glei and developing the Dingbian water supply project. However, Shaanxi is comparatively poor in water resources. Both the per capita and per mu share of water resources only account for a half of the national average levels. The frequent occurrence of drought greatly threatens agricultural production. Last year, the province was hit by the extraordinarily serious drought which had rarely been seen since the founding of the PRC and partially by the rainstorms and floods. The disasters damaged some 52 million mu of crops; caused a decrease in grain output by 2.7 billion kilograms or 22.3 percent, accounting for one fourth of the nation's total decrease in grain; hit 26 million people, including 12 million serious disaster-hit people. This year's drought is serious. The drought lasting for more than 200 days caused a decrease in summer grain output and reduced the sowing of autumn crops by more than 3 million mu of autumn crops. Some 14.66 million mu of autumn fields were hit by the drought, of which 6.68 million mu became unharvestable. The autumn grain output is expected to shrink by 1.5 billion kilograms. The masses in the rural areas, particularly the poverty-stricken areas, also have grain ration problems. The drought not only seriously affects the agricultural production and the peasants' livelihood but also produces great influence over industrial production, capital construction, and the urbanites' livelihood. Facing the serious drought, the broad masses of cadres and people across the province have adopted various measures and made gigantic efforts to combat it. But, the disasters surpassed our bearing capacity. So, we asked the central departments concerned to help us tide over the difficulties. Simultaneously, we hope that the central authorities will put the construction of more water conservation projects in northwest China into the important work agenda; give preferential treatment and financial, material, and technological assistance; expand the dynamics of investment; and also have the construction of the western section of the project for diverting water from the south to the north and that of the large hydropower generation projects on the upper reaches of Huang He covered in the Ninth Five-Year Plan.

B. Accelerate the development of town and township enterprises and promote an overall development of the rural economy.

Accelerating the development of town and township enterprises is a strategic priority of the rural economic development, a major way for eliminating poverty and seeking wealth, and an expectation of rejuvenating northwest China. Over the past years, the province's town and township enterprises have developed at a growth speed of more than 30 percent. In 1994, their total income came to 54.65 billion yuan, up 48.8 percent over the previous year; their output value came to 55.2

billion yuan, up 48.4 percent and accounting for 68.5 percent of the province's total rural output value; and their industrial output value came to 34.37 billion yuan, up 47.6 percent and accounting for 39.5 percent of the province's total industrial output value. Some 66.2 percent of the net added value of the province's total industrial output value and 26 percent of the peasants' per capita net income were from town and township enterprises. Their employees accounted for 26 percent of the province's total rural laborers.

To accelerate the pace of developing town and township enterprises, we set forth that by the end of this century, the total output value of the province's town and township enterprises should reach 200 billion yuan. According to the CPC Central Committee and the State Council's general requirements for accelerating the development of town and township enterprises in northwest China, this year, the town and township enterprises in our province should create more than 70 billion yuan of output value this year, help transfer 3.6 million rural laborers, and add 235 yuan of income to each and every peasant; and strive to have their overall efficiency catch up with the national average level. To realize the above targets, we should rely on the support and assistance of the state and also conduct cooperation with brotherly provinces and regions. We also hope that the enterprises of brotherly provinces and regions will find cooperation partners and develop enterprise groups in Shaanxi in the respects of processing farm and sideline products; developing light and textile industries, energy resource and raw material industries, and mineral resources; and developing commerce and trade; use others' strong points to make up for our weak ones; and cooperatively make common development. Simultaneously, we suggest the State Council to grant as quickly as possible 10 billion yuan of loans to the central and western areas to help develop town and township enterprises; to designate not only scale but also capital; to pay firm attention to implementing the eastern, central, and western projects as set forth by the Ministry of Agriculture; and to work out preferential policies on development to help promote the economic development of these provinces and regions.

C. Dominate the overall rural situation with the goal of striving to become fairly well-off and accelerate the pace of eliminating poverty and seeking wealth.

Shaanxi is one of the provinces with vast poverty-stricken areas in the country. Since the third plenary session of the 11th party Central Committee, particularly after the mid-eighties, with the concern and assistance of the party Central Committee and the State Council, our province has entered a new stage of developing the poverty-stricken areas with assistance and made

noticeable achievements in this regard. However, 50 counties (cities) and more than 3.4 million poor people are covered in the state key support-the-poor program. Now, more than 4 million people are now in the state of poverty. More than 80 percent of the poor people are living in the areas with extremely bad natural conditions, such as the Shaannan Qinba moderately high mountain area, the Shaanbei Baiyu mountain area, and the Tushi mountain area along Huang He. Basic living conditions do not exist in some localities. Thus, the task for supporting the poor is extremely arduous.

Over the past years, we have successively worked out the "provincial plan for having the rural people become fairly well-off" and the "provincial plan for helping 5 million people extricate themselves from poverty in the next seven years." We should grasp the implementation of the goal of becoming fairly well-off with one hand and the support of the poor with the other. With the goal of steadily ensuring a sufficient supply of food and clothes and creating sources of income, we should be determined to enable all poverty-stricken people to steadily eliminate poverty and further become fairly well-off in the next seven years. By the end of this century, the per capita distribution of grain to the peasants in the poverty-stricken counties should surpass 400 kilograms. When calculated in terms of the constant prices of 1980, the per capita income of the peasants in the poverty-stricken counties should surpass 500 yuan and a half of them should surpass 800 yuan. Simultaneously, the per capita distribution of stable- and high- yield farmland should exceed one mu; and each and every township should be accessible by highways, supplied with electricity, and installed with telephones. At the same time, according to the principle of making an overall plan and stressing key points, we should relevantly concentrate the management of capital and projects, use the capital in a coordinate manner, actually promote the development of the economy in these areas, and accelerate the pace of eliminating poverty and seeking wealth. This year, we have concentrated our efforts to develop the economy in 151 poverty-stricken towns and townships and strive to help 154,000 poor households and 664,000 poor people solve their food and clothes problems.

Many comrades from the central and state organs attended this conference. I hope that they will greatly support these five provinces and regions to achieve development. First, loans granted to the poor, funds to support undeveloped areas' development, and funds for helping provide work as a form of relief should increase by a big margin with each passing year in the Ninth Five-Year Plan period. Second, a larger portion of funds transferred from the developed coastal provinces

according to the state plan should be used to develop the poverty-stricken areas in northwest China. Third, we should suggest the state to help build experimental development areas in other places for the 500,000 poverty-stricken people living in the areas basically without living conditions so as to implement on a trial basis an immigration system in the poverty-stricken areas in the new age. Fourth, we should suggest the state to establish as soon as possible the "special funds for supporting the development of agriculture in the poverty-stricken areas" so as to help the poverty-stricken areas basically improve their agricultural conditions.

3. On the Outlines of the Province's Ninth Five-Year Plan and the Basic Thinking of the Long-Term Goal by 2010

The Ninth Five-Year Plan period and the time after this period is a key period when our country should realize the second-step strategic goal of modernization and shift to the third-step strategic goal as well as a key period when the five provinces and regions in northwest China should rapidly develop their economy. To accelerate the development of the economy, to expand the scale of participating in the division of work with foreign countries, and to comprehensively enhance the overall strength, we have set forth preliminary opinions on the "outlines of the province's Ninth Five-Year Plan for National Economic and Social Development and the Long-Term Goal by 2010." In our guiding ideology, we should persist in Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics and the basic line of the party and conscientiously carry out the strategy of "promoting development through opening up and making progress through development." According to the strategic arrangement for "mainly developing Guanzhong and accelerating the development of the southern and northern parts of the province," we should grasp favorable opportunities to deepen reform, expand the scale of opening up, and accelerate the pace of development. According to the principle of "taking education as a foundation and rejuvenating Shaanxi with science and technology," we should rely on scientific and technological progress, strengthen the construction of infrastructural facilities, intensify basic industries, cultivate advantageous industries, develop the regional economy, deepen the enterprise reform, set up the modern enterprise system, and upgrade the overall economic strength and the overall quality and efficiency of the national economy.

The province's general targets and tasks for national economic and social development are as follows: First, preliminarily set up a socialist market economic system and its operational mechanism. Second, form an all directional opening-up pattern with Xian as its cen-

ter and the "Eurasian Continental Bridge" as its spool thread, conducting cooperation with the east, entering the west, and expanding the scale of opening up to the south and the north; form an economic development trend striding over the central areas and leaping over the south and the north; build Xian into an export-oriented city; and form an embryonic type of export-oriented economy in Guanzhong. Third, basically build a coordinate and high-efficiency industrial structure and an economic system with noticeably comparative advantages and strong competitiveness so as to preliminarily improve both quality and efficiency. Fourth, greatly improve the overall economic strength and overall economic level. Fifth, basically form a positive and healthy human environment and stand among the provinces and regions where the people have moderate income. By 1996, the province should fulfill, four years ahead of schedule, the target of quadrupling the 1980 GNP; and by 2000, the people in our province should become moderately well-off. From 2000 to 2010, with a comparatively perfect market economic mechanism and under the environment of opening to the outside world, we should further make economic and social progress, re-double the per capita GNP, stride toward the target of becoming wealthy on the basis of the moderate well-off level, and ensure that our national economic strength will attain the national moderate level.

In the Ninth Five-Year Plan period and early in the next century, we will work according to the requirements of the socialist market economy; and apply the preferential development pattern that the advantageous industries develop at a speed faster than the general industries; new high-tech industries, traditional industries; nonstate sectors of the economy, the state sector of the economy; and the southern and northern areas, the Guanzhong area so as to rationalize and upgrade the distribution of natural resources. We should carry out the preferential development strategy; strengthen agriculture, basic industries, and infrastructural facilities; greatly upgrade the ability in making development and blazing new trails; accelerate the development of such six advantageous industries as machinery, electronic, energy resource, building, and medical and chemical, and food industries; and promote the development of the tertiary industry dominated by commodity circulation, banking and insurance industries, science and technology, education, tourism, and real estate. The proportion of the added value of the advantageous industries in the GNP should rise from 27 percent in 1994 to about 38 percent in 2000 and to more than 45 percent in 2010. According to the strategic arrangement for "giving priority to the development of Guanzhong and accelerating the pace of developing the southern and northern areas of the province," we should focus our efforts to build "a

center and three economic belts." That is, build Xian into an economic center and develop economic belts along the Lanzhou-Lianyungang railway line, the Great Wall, and Han Jiang. Develop a number of economically large counties to promote the development of the areas around them. Vigorously strengthen and pioneer the border economy and expand the scale of cooperation. Form a regional structure characterized by organic contacts, coordinate development, high-efficiency opening up, and mutual supplement of advantages so as to reduce the difference between regions.

To ensure the realization of the Ninth Five-Year Plan and the 2010 planned targets, we have further strengthened and perfected 20 projects for rejuvenating Shaanxi and plan to build a number of key projects spanning this century and the next. These projects' investment orientation and priorities are as follows: First, continue to accelerate the construction of infrastructural facilities, further improve agricultural basic conditions, concentrate efforts to eliminate the restrictions due to the "bottleneck" in transportation as well as the problems relating to large and medium-sized cities' water and gas

supply. Second, accelerate the development of advantageous resources and build a number of basic industrial projects, including coal, power, and gas supply projects and chemical, metallurgical, nonferrous metal, gold, and building material industrial projects. Third, transform advantageous and pillar industries; upgrade the level of such processing industries as machinery, vehicle, electronic, food, medical, chemical, and textile industries; and develop and strengthen new high-tech industries. Fourth, accelerate the development of public welfare undertakings; build a number of tourist, scientific and educational, cultural, and public health undertakings; and promote social progress. These projects are large in number and involve the work of many spheres, and some of them even touch upon neighboring provinces and regions. There must be large amounts of investment, and there are great potential for cooperation. We sincerely hope that the provinces and regions in northwest China will conduct cooperation and contacts in production, technology, material, commercial, and trade spheres; promote one another; and make common development and progress. May the conference be successful.

Li Teng-hui Diplomacy 'Sabotaging' Relations

HK2909012295 Beijing LIAOWANG in Chinese
7 Aug 95 No 32, pp 9-10

[Article by Ling Yunhe (0407 0061 7729): "Li Teng-hui's Footprints on the Road of Taiwan Independence"]

[FBIS Translated Text] Anybody inside or outside China with a discerning eye can see clearly that Li Denghui [Li Teng-hui] is practicing "Taiwan independence." His words and deeds in splitting our motherland are as clear as daylight. However, up to now, Taiwan authorities still do not dare to raise the banner of "Taiwan independence" brazenly or officially join forces with the Democratic Progressive Party [DPP]. Whenever the media point out that he is practicing "Taiwan independence," he always tries to defend himself, and his explanation has always succeeded in taking some people in. Therefore, it is necessary to give a brief rundown of his footprints on the path toward splitting our motherland, so that people can have a clear picture how he has moved toward the abyss step by step.

**Annihilating the Principle of "One China" and
Legitimizing "Taiwan Independence" Activities**

On 13 January 1988, upon the death of Jiang Jingguo [Chiang Ching-kuo], Li Denghui succeeded him. At his first news conference, Li Denghui pledged in all sincerity and seriousness to pursue "the policy of one China, not two Chinas." After that, he time and time again flaunted the statement: "One China is the highest principle and peaceful reunification is the goal."

But Li Denghui failed to make good his promise and acted in a way that ran counter to his words. He has been going farther and farther away from the principle of "one China."

In the first three years of his term of office, Li Denghui designated "constitutional reform" as his administrative objective. In 1991 and 1992, complete reelections of the "National Assembly" and the "Legislative Committee" were held; in February 1993, the "cabinet" was completely reshuffled, putting someone of Taiwan origin in the position of "president of the Administrative Yuan" for the first time in history, thus Taiwanizing [tai wan hua 0669 3494 0553] the Kuomintang [KMT]. During this period, because the Taiwan authorities revised the 100 articles of the "Criminal Law" and the "National Security Law," the "Taiwan independence" activities within and outside the island became legitimate and open. A batch of "Taiwan independence" activists who had been in exile abroad for a long time swarmed back to Taiwan. All kinds of "Taiwan independence" forces joined hands and quickly expanded on the island. In August 1992, the "National Assembly" delegation

of the DPP published a statement entitled "Establishing 'One China, One Taiwan,' Opposing KMT-CPC Peace Talks." In September, they published "Cross-Strait Relations and the Policy Toward Mainland China at the Present Stage," in which they openly declared "independence of Taiwan's sovereignty." The "Taiwan independence" organizations in Taiwan went so far as to take to the streets brazenly and instigate demonstrations by thousands of people, demanding that the KMT abandon the "one China" policy. When the "non-mainstream" members of the KMT were engaged in a heated debate with the DPP on this issue, Li Denghui stepped forward and said: "I have very carefully looked through the documents from the past. Did our late president the revered Mr. Jiang ever mention the words 'one China'? Never." He even said: "To talk about 'one China' in a simplistic way is nothing short of falling into the trap of the CPC." He demanded that the Taiwan authorities "stop using any slogan that is no longer in tune with our times." In early February 1993, when meeting with the "Legislative Yuan members" of the DPP, Li Denghui even said he maintains that "the Republic of China has never mentioned one China while in Taiwan."

Because of Li Denghui's connivance and shielding, the "Taiwan independence" activities in Taiwan have become even more rampant. The media in Taiwan pointed out: The so-called "one China" advocated by the Taiwan authorities is, "to put it bluntly, 'two Chinas.'" The clever bit is flaunting "seeking China's reunification" without acknowledging "one China," and practicing "two Chinas" and yet avoiding using the concept of "two Chinas." However, Li Denghui has seen another advantage in this negative result of the "constitutional reform." He praised this as "a major achievement of the KMT in promoting constitutional democracy" and "set out to make a new epoch in democracy."

**Practicing "Pragmatic Diplomacy" Extensively, To
Internationalize the Taiwan Issue**

With the completion of the "constitutional reform," Taiwan's government has been localized. Li Denghui's administrative goal for the next three years is "upgrading Taiwan's international status" and "developing relations across the straits."

At the news conference marking the third anniversary of his inauguration, he clearly stated: "Under the current circumstances, it is imperative to consider 'pragmatic diplomacy' and the mainland policy at the same time and find an appropriate strategy." "Pragmatic diplomacy and the China policy are in fact mutually constraining, which means they are locked in a very complicated relationship of interconnection. Under such circumstances,

the government should continuously identify where its own bargaining chip is and where our strategy should aim, so as to find the appropriate methods." He even said: "We will be able to find a strategy that is most conducive to our international relations."

What is the strategy that Li Denghui has repeatedly emphasized?

The answer is: Doing something under the facade of another.

And the "bargaining chip" that Li Denghui wants to find all the time is, put simply, "returning to the United Nations."

The issue of so-called "returning to the United Nations" was first raised by a handful of "Taiwan independence" activists. As early as 1989, Li Denghui acknowledged it as one of the objectives of the "pragmatic diplomacy" policy for "Taiwan's returning to the international community." But because Li Denghui had not established a strong foothold in the political arena at that time and the political situation in Taiwan was complicated, plus there was strong resistance from the "non-mainstream" members of the KMT standing firm against "Taiwan independence," it was hard to designate the slogan of "returning to the United Nations" as an administrative goal. In the meantime, the Taiwan authorities knew very well the firm attitude of the mainland of our motherland to this issue and had to think twice. Public opinion in Taiwan once pointed out: "No matter under what name Taiwan wants to 'return to,' 'join,' or 'take part in' the United Nations subjectively, the biggest objective variable is still the attitude of the mainland." Therefore, "in the process of trying to join the United Nations, it is impossible to give the impression of opposing the principle of 'one China' or splitting the sovereign state, because such an impression, whether in form only or in substance, would possibly lead to a direct conflict across the strait."

But three years later, when Li Denghui had completed the "constitutional reform" and got a firm foothold, he could not hold himself back and came out into the open. On 9 June 1993, Li Denghui convened a high-level party and government decisionmaking meeting to discuss the proposal for "joining the United Nations" and issued an order for holding "mobilization meetings" on an all-out scale for "joining the United Nations." After that, the activities of "pragmatic diplomacy" whereby the Taiwan authorities attempted to create "two Chinas" and "one China and one Taiwan" became increasingly rampant.

One could say that Li Deaghui has spared no effort to broaden Taiwan's "room for survival in the international arena." He howled that he wanted to "challenge" "the

impossible." He "did not mind what title he would get," "did not mind being greeted with no salvos or carpet," and did not hesitate to spend large sums of money buying admission tickets to "pragmatic diplomacy." Over the past two years, Li Deaghui has made frequent visits under all sorts of excuses:

In February 1992, Li Deaghui visited the Philippines, Indonesia, and Thailand under the pretext of "holiday diplomacy" and "did many things that are not to be talked about." This trip was called "an ice-breaking journey."

In May 1994, Li Deaghui flashed the signboard of "ceremonial diplomacy" [dian li wai jiao 0368 4409 1120 0074] and visited Nicaragua, Costa Rica, South Africa, and Swaziland. He took advantage of various occasions to "increase Taiwan's exposure rate on the international arena." That visit was a carefully orchestrated "intercontinental journey."

In April 1995, Li Deaghui visited the United Arab Emirates and Jordan under the pretext of a "private holiday." This visit to the Middle East, on which he was "cold-shouldered," was derisively dubbed by the press "a journey to the desert."

On 7 June this year, Li Deaghui, in the name of "getting together with old boys," arrived in the United States, the land he had long craved for even in his dreams. Smug and complacent, he called this visit "the journey of the century."

From the "ice-breaking journey" and the "intercontinental journey" to the "journey to the desert" and "journey of the century," there was only one purpose, i.e., to create "two Chinas" on the international arena.

There Is No "Equilibrium Point" Between Pragmatic Diplomacy and Cross-Straits Relations

Faced with all the condemnation of him inside and outside Taiwan, Li Deaghui resorted to sophistry and said: This U.S. visit "can be seen both as a private visit and as an informal visit. And the activities in various areas centered on the Cornell University campus." He emphasized: "My U.S. visit was in no way a ploy to create two Chinas," and "I hope the CPC will not politicize it."

Li Deaghui deliberately put the veil of "private" on what was obviously a political activity and told others not to politicize what was obviously a political event. This kind of clumsy performance that deceived himself as well as others is indeed utterly despicable [bei lie zhi ji 0585 0503 0037 2817].

Li Deaghui understands that he himself has caused the big trouble of great tension between the two sides of the

Taiwan Strait. To appease the public wrath he recently posed as a man of honor and made the appeal that "the Taiwan Straits must be stable and peaceful." He also said that he wanted to find for himself an "equilibrium point" between "pragmatic diplomacy" and "cross-strait relations."

It must be pointed out that the price of Li's "pragmatic diplomacy" is bound to be the sabotage of cross-strait relations. There will be no "equilibrium point" between the two. Li Denghui's statement about trying to find an "equilibrium point" is but a fig leaf covering up

his act of sabotaging cross-strait relations and a smoke bomb covering up his act of splitting China peacefully. Regrettably, however, this smoke bomb can no longer pull the wool over the eyes of the people of the world. Li Denghui's hideous features [chou e mian mu 0010 1921 7240 4158] in sabotaging cross-strait relations and splitting our motherland have been exposed to the light of day, and all his clumsy, self-deceiving performances will prove that the more he tries to hide, the more exposed he becomes.

Reaction to Li Remark on Mainland Visitors
OW2909043695 Taipei LIEN-HO PAO in Chinese
26 Sep 95 p 4

[FBIS Translated Text] Addressing a Kuomintang (KMT) gathering recently, President Li Teag-hui said Chinese Communist leaders may come to Taiwan to have a look. Reacting to the remark, the Mainland Affairs Council (MAC) said: Our current government policy stipulates that leaders of both sides across the strait may meet in an "international setting." However, it does not limit the venue to a third place outside Taiwan and the mainland. If an international organization sponsored activities in Taiwan, Chinese Communist leaders may come to Taiwan.

Li Wei-lien, director of the MAC's Department of Information and Liaison, answered reporters' questions yesterday. He pointed out that President Li's remark that Chinese Communist leaders may come to Taiwan to have a look actually conforms to our current government policy.

Strait Exchange Foundation (SEF) Chairman Ku Chen-fu said cross-strait communication has come to a standstill. This is a situation which he "does not like to see." Our society is a democratic one. He "sincerely welcomes" visits to Taiwan by Chinese Communist leaders. He added the SEF and the MAC do not have the authority to decide the issue since a meeting between leaders of both sides is a top decision for our government.

Ku Chen-fu maintained that although communication across the strait has been disconnected, both sides still need to conduct exchanges. If Chinese Communist leaders could come to Taiwan to have a look, it would enhance their understanding of Taiwan and promote bilateral understanding. And this is always good. However, he held that, except for the issues of occasion and status, we should also take the cross-strait atmosphere into account in arranging a meeting between leaders of both sides. It is necessary to create favorable conditions beforehand.

Lien 'Willing' To Meet Li Peng for Peace
BK2909090995 Hong Kong AFP in English
0855 GMT 29 Sep 95

[FBIS Transcribed Text] TAIPEI, Sept 29 (AFP) — Taiwanese Premier Lien Chan said Friday he was willing to talk with his Chinese counterpart on promoting peace and "positive exchanges" between rivals Taiwan and China.

"I am willing to contribute my part to open the door for negotiations eliminating unnecessary hostility and

doubts across the (Taiwan) strait so long as it would not hurt our national interest and pride," Lien told parliament.

Lien said he would be glad to meet Chinese Premier Li Peng to discuss ways of promoting peace and friendly exchanges, but asked his countrymen not to anticipate any immediate improvement in cross-strait ties.

Lien was responding to legislator from the ruling Kuomintang (KMT) party, Ting Shou-chung, who proposed premier-level talks between the two rival governments.

The call came after bilateral relations dipped to a new low following the controversial visit to the United States by Taiwanese President Li Teag-hui in June, a move which enraged Beijing and further strained its ties with Taipei.

China, which claims sovereignty over this nationalist-held island, launched two missile drills off Taiwan's northern coast in late August in a bid to intimidate Taipei after what Beijing saw as Taiwan's attempts to gain greater international recognition.

Lien said the opening of direct postal and telecommunications links with China had remained on a technical level, while direct shipping exchanges would start at a designated offshore center when the proposal was accepted by China.

The KMT, which retreated to Taiwan in 1949 after losing a civil war to the Chinese communists, has refused to develop direct or government-level contacts with the mainland.

Premier Lien Chan on Cross-Strait Rapprochement
OW2909125495 Taipei CNA in English
1023 GMT 29 Sep 95

[By Sofia Wu]

[FBIS Transcribed Text] Taipei, Sept 29 (CNA) — Premier Lien Chan said Friday [29 September] he always stands poised to work for peace in the Taiwan Strait as long as such efforts do not undermine national interests or dignity.

Lien made the statement while fielding questions from Kuomintang legislator Ting Shou-chung at Legislative Yuan plenary session whether he is willing to dialogue with Mainland Chinese Premier Li Peng or other senior Beijing officials to clarify some misunderstandings and seek reconciliation between the two sides.

In reply, Lien said he is willing to do anything that can help boost constructive cross-strait interaction. Nevertheless, he stressed that such effort should not affect the

ROC's [Republic of China] national interests and dignity.

Noting that cross-strait rapprochement requires concerted efforts from both sides Lien said a breakthrough in the current cross-strait impasse cannot be achieved by efforts from Taiwan alone.

Taiwan-Mainland China relations have remained at a low ebb since ROC President Li Teng-hui made a private visit to the Untied States in June for an alumni reunion. Beijing claimed Li's visit was a move to promote Taiwan independence. Beijing has since unilaterally suspended cross-strait dialogue and launched vehement verbal attacks on Taiwan in addition to conducting two large-scale military exercises, including firing of guided missiles, in areas just north of the island.

Lien said Beijing's tough rhetoric mainly reflects its domestic predicament. "With communism losing appeal among mainland people, Beijing authorities now have to resort to nationalism to consolidate internal support and unity," the premier observed, referring to Beijing's using nationalism to justify its constant efforts to downgrade Taiwan's status in the international community.

On Beijing's missile testing in waters near Taiwan, Lien said such moves hurt Taiwan people's feelings toward the mainland. "If Beijing continues its military intimidation against Taiwan, it will only hinder constructive cross strait interaction and [words indistinct] national unification under freedom, democracy and equitable prosperity," he asserted.

The premier further said the Beijing leadership may change abruptly. "At the moment, no single person can dominate the Communist Party, the government and the military on the mainland. So it is understandable that senior mainland officials must speak out against Taiwan to avoid becoming the targets of their political opponents," Lien said.

Against this backdrop, Lien said, cross-strait relations are not expected to improve soon. "I hope local people will psychologically brace themselves for a prolonged cross-strait stalemate" he said, adding local people need not overreact to Beijing's harsh rhetoric on Taiwan affairs.

Lien also renewed his call for an early resumption of cross-strait consultations on a number of non-political technical problems arising from increasing cross-strait civilian exchanges in recent years. "I sincerely hope both sides can work together to reduce suspicion and hostility to pave the way for China's eventual unification."

On press reports saying Taiwan and mainland officials attending the 11th plenary session of the Pacific Eco-

nomic Cooperation Council (PECC) being held in Beijing already reached a preliminary consensus on opening direct cross-strait postal, telephone and shipping services, Lien reaffirmed the government stance on developing cross-strait ties in a gradual manner.

According to the national unification guidelines, Lien said direct cross-strait shipping links can be established only after Beijing drops its hostility and renounces the threat of force against Taiwan as well as stops its boycott against Taiwan's participation in international activities.

At the moment, the government would only promote "offshore transshipping services" across the Taiwan Strait, Lien said, adding if this kind of service can develop smoothly, the two sides can talk about direct cross-strait shipping services.

On direct cross-strait postal and telephone services, Lien said, the two sides already exchanged views on some related technical problems. Taiwan has also drawn up a plan to improve current indirect cross-strait mail and phone services. As Beijing has unilaterally suspended working-level talks since late June, Lien said, the two sides have not further discussed issues related to cross-strait postal and phone services.

MAC Spokesman on Cross-Strait Consultations

OW2909054795 Taipei CHUNG-YANG JIH-PAO
in Chinese 28 Sep 95 p 2

[FBIS Translated Text] Responding to the remark made by Wang Chao-kuo [Wang Zhaoguo], director of the Taiwan Affairs Office [TAO] under the Chinese Communists' State Council, that both sides across the strait can hold talks under the principle of "one China," Mainland Affairs Council [MAC] Spokesman Kao Kung-lien pointed out yesterday that our stand is consistent — respecting the consensus and carrying out the agreement reached between the two sides. We hope that both sides can resolve problems through consultation and go a step further to resolve other problems after gaining trust in each other.

Kao Kung-lien said: Our stand is consistent. We have repeatedly expressed our wish to respect the consensus and to carry out the agreement reached between the two sides. The so-called consensus means the consensus reached between both sides on the second Ku-Wang talks and the consensus allowing both sides to hold their own interpretations of one China. The so-called agreement means the agreement which stipulates that vice chairmen and deputy secretaries general of the Strait Exchange Foundation [SEF] and the Association for Relations Across the Taiwan Strait [ARATS] should hold talks, respectively, on a regular basis.

Kao Kung-lien also pointed out: We wish to resolve problems through consultation to protect our interests and rights. In addition, we can go a step further to resolve other problems after gaining trust in each other.

SEF Official Backs More Cross-Strait Exchanges

*OW2909125795 Taipei CNA in English
1004 GMT 29 Sep 95*

[By Ilian Wu]

[FBIS Transcribed Text] Taipei, Sept. 29 (CNA) — Li Ching-ping, deputy secretary-general of the semi-official Straits Exchange Foundation (SEF), Friday [29 September] suggested that the government take the initiative to invite mainland Chinese officials in charge of Taiwan affairs, researchers engaged in Taiwan studies, or ex-military officials working in research institutes to visit Taiwan.

Li, speaking during a seminar on military exercises and relations across the Taiwan Strait, said that in a time of strained cross-strait relations, an increase in bilateral exchanges would promote understanding.

Li said that different systems on both sides of the Taiwan Strait have resulted in a lack of understanding between them and exchanges of personnel would help improve information exchanges and give mainlanders a first-hand view of Taiwan's democratic and pluralistic society.

This is the first time that a SEF official has proposed the initiation of retired military officers working in research institutes. Li stressed however that the government has not yet reached a decision on the proposal.

Li also said that Beijing's missile tests in July and August were highly political in nature. The tests affected Taiwan businessmen's interests in the mainland and also resulted in a sharp decline in Taiwan investment. Taiwan's economy was also affected, he added.

Li said Beijing has unilaterally suspended Ku-Wang talks and the discussions will probably not resume until after Taiwan's presidential elections in March 1996. Cross-strait relations have plunged into an uncertain and unstable period, he added.

C.F. Ku and Wang Dohan are heads of SEF and Beijing-based Association for Relations Across the Taiwan Strait [ARATS]. SEF and ARATS are two intermediary bodies set up to deal with civilian exchanges across the Taiwan strait in the absence of formal ties.

Li said that to cope with the situation the best thing to do is to rally behind the government and show solidarity, instead of being intimidated by Beijing.

Li said that Beijing may continue military exercises this October. He also predicted a Beijing effort to undermine the popularity of president Li Teng-hui and affect the forthcoming legislative and presidential elections here.

Official Comments on Qian-Christopher Meeting

*OW2909034295 Taipei CNA in English
0122 GMT 29 Sep 95*

[By Benjamin Yeh]

[FBIS Transcribed Text] Taipei, Sept. 28 (CNA) — The "Taiwan issue" is by no means the single largest stumbling block to the improvement of ties between Washington and Beijing, a Foreign Affairs Ministry official said Thursday [28 September].

"The failure of U.S. Secretary of State Warren Christopher and mainland Chinese Foreign Minister Qian Qichen to arrive at an agreement during the recent meeting indicates that their differences have not been thrashed out," the official said.

Christopher and Qian met in New York on Wednesday in the third high-level meeting arranged to mend the ties that have hit a nadir since President Li Teng-hui paid a landmark private visit to the United States in June.

The two held the first meeting in Brunei on Aug. 1, followed by a meeting between Christopher and Mainland Chinese Vice Foreign Minister Li Zhaoxing in Washington on Aug. 22.

Christopher simply reiterated Washington's pledge to abide by the "one China policy" and the three communiques, which have laid the framework for ties with Beijing since the U.S. switched diplomatic recognition from Taiwan to Mainland China in 1979.

During the closed-door meeting, each went his own way, and no agreement was reached on Taiwan affairs even though the "Taiwan issue" is the major concern of Beijing, the official said.

In fact, the official pointed out, the problems between Washington and Beijing range from human rights, nuclear proliferation, and North Korea's nuclear threats, to Mainland China's arms sales to Iran, the widening trade gap and the mainland's bid to join the World Trade Organization.

Noting Qian did not push the "Taiwan issue," the Foreign Ministry official said he believes that the Communist Chinese regime apparently has come to realize it cannot possibly benefit if it sticks to its stance of asking the U.S. to bar ranking Taiwan officials from visiting America.

Under the circumstances, the official said, the chances of Beijing and Washington sealing a fourth communique are getting slim.

Christopher and Qian also failed to work out an agreement on the exact date and agenda of the scheduled meeting between U.S. President Bill Clinton and Mainland Chinese President Jiang Zemin in October.

BOFT, OECD Officials Meet for Talks

*OW2809120395 Taipei CNA in English
0950 GMT 28 Sep 95*

[By S.M. Wu and Sofia Wu]

[FBIS Transcribed Text] Beijing, Sept. 28 (CNA) — Lin Yi-fu, director-general of Taiwan's Board of Foreign Trade [BOFT], met with OECD Deputy Secretary-General A. Taniguchi Thursday [28 September] in Beijing for wide-ranging talks.

Both Lin and Taniguchi are here to attend the 11th plenary session of the Pacific Economic Cooperation Council (PECC), which opened Wednesday for a three-day run. Lin is the highest-level Taiwan official to attend the ongoing PECC meeting.

During the meeting, Lin expressed Taiwan's intention to join the Paris-based Organization for Economic Cooperation and Development (OECD).

The OECD is an observer in the PECC while Taiwan is a full PECC member.

Lin said he exchanged views with Taniguchi on PECC operations and its relations with the OECD, which acts as a think tank for rich industrial nations.

"Taniguchi holds a positive attitude toward Taiwan's bid to participate in as many international organizations and activities as possible," Lin said.

However, he would not reveal whether Taniguchi supports Taiwan's membership in the OECD, also known as the "Rich Men's Club."

With its economic strength, Lin said, Taiwan qualifies for a seat in the OECD. "Nevertheless, Beijing's boycott has been a major obstacle to Taiwan's OECD accession," he admitted.

Taiwan has played an active role in a number of OECD seminars since 1989. In 1994 alone, Taiwan participated in six OECD seminars, and on July 10-11 this year, a Taiwan mission took part in an OECD meeting on regional integration and trade development in Paris.

Meanwhile, five Taiwan financial and economic agencies have been authorized to apply for observer status in five OECD working committees on trade, financial

markets, capital flows and invisible trade, international investment and multinational enterprises, and competitive policy affairs.

The five Taiwan agencies intending to join the OECD working committees are the Board of Foreign Trade, the Bureau of Monetary Affairs, the Central Bank of China, the Industrial Development and Investment Center and the Fair Trade Commission.

The five agencies are preparing reference papers on their bids to join the OECD working committees. The documents will be sent to OECD members countries in the near future.

The OECD now has 25 full members. Its recommendations are not binding but can play a role in shaping its members' economic policies.

Ku Views Regional Stability at PECC Meeting

*OW2809112195 Taipei CNA in English
0935 GMT 28 Sep 95*

[By S.M. Wu and Sofia Wu]

[FBIS Transcribed Text] Beijing, Sept. 28 (CNA) — Jeffrey Ku, chairman of the Chinese Taipei PECC [Pacific Economic Cooperation Council] Committee, said here Thursday [28 September] that nations in the Asia-Pacific region should not conduct large-scale military exercises to avoid damaging regional stability and security.

Speaking at the 11th plenary session of the Pacific Economic Cooperation Council (PECC), which opened in Beijing Wednesday, Ku said peace and security are key to sustained economic development in the Asia-Pacific.

"Large military drills are not welcome in the region because such actions threaten the regional balance of power and are detrimental to regional stability," Ku stressed.

He further said nations in the region should do their best to create a friendly environment for trade and investment. "All countries should also ensure free entry and exit of foreign capital and free repatriation of capital gains to promote free capital flow within the region," he added.

Later in the day, Ku met with Chen Yuan, a vice governor of the People's Bank of China, to exchange views on mainland financial market developments and cross-Taiwan Strait financial exchanges.

During the meeting, Ku, also chairman of the Taipei-based Chinatrust Commercial Bank, urged Mainland

China to ease restrictions on foreign-invested banks to operate mainland currency-denominated dealings.

Ku told Chen that Mainland China's prohibition on renminbi dealings by foreign-invested banks poses a great headache to Taiwan-owned companies on the mainland.

"Many of our customers with mainland interests have been troubled by difficulties in obtaining renminbi to finance their operations or expansion projects on the mainland," Ku said.

With approval of governments on both sides of the Taiwan Strait, Ku said, Chinatrust Commercial Bank (CCB) is willing to set up a branch on the mainland to assist its Taiwan clients in expanding their mainland business.

Nevertheless, Ku stressed that the CCB branch must be allowed to operate renminbi-denominated dealings. "Otherwise, we could not open a branch here," he added.

For his part, Chen Yuan said the CCB is welcome to set up a branch on the mainland. He further said senior bankers from both sides should meet regularly to discuss ways to boost cross-strait economic and financial exchanges.

Taiwan still bans its banks from opening branches on the mainland, while Beijing stipulates that a Taiwan bank must first set up a representative office on the mainland and the office can be upgraded to a branch two years later. A representative office can only collect market information and cannot operate any banking services. Moreover, mainland authorities still prohibit branches of foreign banks, including those from Taiwan, from operating renminbi-denominated dealings.

Asked whether the CCB is likely to have its subsidiary in the United States set up a branch on the mainland, Ku only said the US imposes strict restrictions on its banks in opening branches on the mainland.

A scholar with the Taiwan Institute for Economic Research (tier) said it is still too early to predict when the ROC [Republic of China] Government will allow Taiwan banks to set up branches on the mainland.

Tung Jui-ping, a tier department chief, who is also in Beijing to attend the PECC meeting, said opening of a branch on the mainland by a Taiwan financial institution would inevitably make Taiwan's banking system and even its overall economic development vulnerable to Beijing's influence.

It has been very difficult for foreign banks to attract deposits on the mainland, Tung said. As a result, many foreign bank branches focus on lending. Should Taiwan allow its banks to set up a branch on the mainland,

Tung said the branch would rely on its Taiwan head office for supply of capital, eventually leading to flow of huge sums of Taiwan money to the mainland.

Moreover, Tung said, Beijing can use many other means and restrictions to affect the operations of Taiwan bank branches on the mainland.

"As Beijing remains hostile toward Taiwan, I don't think Taiwan would allow its banks to set up branches on the mainland in the foreseeable future," Tung added.

DPP Caucus Seeks Premier Lien's Resignation

OW2909065795 *Taipei Voice of Free China*
in English 0200 GMT 28 Sep 95

[FBIS Transcribed Text] ROC Premier Lien Chan made his administrative report to the opening legislative session as opposition legislators called for his resignation to take responsibility for a series of financial crises and other problems involving his administration. The current DPP [Democratic Progressive Party] boycott of the opening session was sullied as Kuomintang legislators rallied support for Lien's administration. Shortly after the session began, DPP legislators took turns blasting the premier, calling for his resignation over his failure to handle civil right violations in the military and a series of financial crises triggered by scandal in the Changhua City Fourth Credit Cooperative Bank. The DPP caucus called for a non-confidence vote in the Lien administration. But legislative speaker (Lian Sheng-shan) shelved the proposal, saying the proposal was unconstitutional and against the legislative internal regulations. Negotiations failed to reach a conclusion as the DPP caucus continued to insist that Lien answer all the questions.

KMT To Maintain Traditional Policies

OW2909034195 *Taipei CNA in English*
0139 GMT 29 Sep 95

[By Benjamin Yeh]

[FBIS Transcribed Text] Taichung, Sept. 28 (CNA) — A high-ranking Kuomintang [KMT] official said Thursday [28 September] that the ruling party will stick to its policy of opposing independence and communists, safeguarding the Republic of China [ROC], and continuing to implement the three principles of the people.

"These are the election guidelines for the ruling KMT," KMT Secretary-General Hsu Shui-te said in an inspection tour of a party unit in the central Taiwan city of Taichung. Three principles of the people, the theory created by founding father Dr. Sun Yat-sen, are nationalism, democracy and social well-being.

Hsu made the remarks when asked whether the KMT has come up with an election guideline for the year-end legislative election and the presidential race on March 23, the first direct popular presidential election in Taiwan.

The Democratic Progressive Party (DPP), Taiwan's major opposition party, Thursday unveiled its elec-

tion guideline, which calls for beefing up national defense capability, safeguarding the sovereignty of state, streamlining the government structure, reforming Taiwan economy and popularizing social well-being.

Hong Kong

Sino-British Group To Discuss Appeals Court
 OW2809084195 *Beijing XINHUA in English*
 0809 GMT 28 Sep 95

[FBIS Transcribed Text] Hong Kong, September 28 (XINHUA) — The Sino-British Joint Liaison Group (JLG) will hold its ninth round of experts talk on the Court of Final Appeal in Hong Kong here on September 29, 1995, according to the Chinese side on the JLG.

The Chinese team will be headed by Chen Zuoer, representative of the Chinese side on the JLG while the British group will be led by the British representative Alan Paul. They will be assisted by experts from both sides.

Lu Ping Denies Rumors, Claims 'Good Health'
 HK2909082495 *Hong Kong HONGKONG STANDARD in English* 29 Sep 95 p 4

[By Dominic Lau]

[FBIS Transcribed Text] The most senior Chinese official overseeing the territory, Lu Ping, claims in a signed magazine article that he is in good health and dispels rumours he is suffering from stomach cancer as has been reported in some newspapers.

Mr Lu was in hospital with a bleeding ulcer but has recovered.

By discussing his health in the biweekly magazine, China's Talents, Mr Lu seems intent on returning to the spotlight from which he has faded since his visit here in May.

His friends say Mr Lu is ready to resume his work in a few weeks, although it is not yet certain he would attend the Preliminary Working Committee (PWC) meeting in Beijing between 9 and 16 October.

Mr Lu also writes about his vision of "one country, two systems", the formula under which the Special Administrative Region (SAR) will be created.

Mr Lu expresses his wishes that Britain has finally veered away from its policy of confrontation and is now committed to co-operating with China to prepare Hong Kong for the transfer of sovereignty in 1997.

Mr Lu says the PWC's work would be done by the end of the year and the Preparatory Committee would take over from there.

PWC member Xu Simin yesterday confirmed that Mr Lu had recuperated from his ulcer operation and was working from his hospital bed.

Mr Lu also writes that Hong Kong will be returned without fuss to China as the SAR with the backing of 1.2 billion mainland Chinese and six million residents of the territory.

Martin Lee Explains People's Desire To Stay
 MS2609123795 *London INDEPENDENT in English*
 26 Sep 95 p 14

[Article by Chairman of Hong Kong's Democratic Party, Martin Lee: "The Freedom To Stay"]

[FBIS Transcribed Text] In spite of the furor generated by Governor Chris Patten's recommendation last Friday that the 3 million Hong Kong people who carry British passports be granted the right of abode in Britain, the reality is that very few people in Hong Kong want to leave their home. Instead — as they demonstrated in overwhelming numbers at the polls last week — what they really want is assurance that the freedom, democracy and autonomy they were promised in the 1984 Sino-British Joint Declaration will continue in what appears to be an increasingly uncertain future.

Against all odds, Hong Kong people backed pro-democracy candidates in the face of escalating threats from Beijing to scrap our legislature and other elected bodies when China takes over on 1 July 1997. I believe this voice of courage moved Governor Patten to make the recommendation he did. And I hope it will move the people of Britain to see that Hong Kong people share the same values, hopes and aspirations that they do.

Three million Hong Kong citizens were born as British as John Major. What is being so hotly debated in Britain is a birthright that was not given up voluntarily — but stripped from them because they were born as ethnic Chinese in Hong Kong.

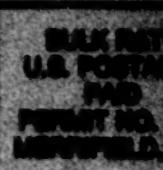
What makes Hong Kong our home is first of all our freedoms — underpinned by Britain's greatest legacy, the rule of law. It is just these freedoms that are under greatest threat, by China, but also by the outgoing British colonial government that has lately been more concerned about its trade relationship with the People's Republic than with defending Hong Kong.

The best way to do this is by giving Hong Kong people an insurance policy for our future. The most compelling argument in favour of giving Hong Kong people the British passports they were born with is that China would then need to work to keep Hong Kong the kind of place where its citizens would want to continue to live — and the type of place in which the international community would want to continue to do business. Indeed, Hong Kong people are painfully aware that Portugal, one of the poorest countries in

the European Union, has given Portuguese citizenship to the several hundred thousand citizens in its colony of Macao: a citizenship, ironically, that will enable the Chinese citizens of Macao to live anywhere in the EU — including Britain.

Many of us are committed to stay, no matter what the future holds. Instead of persuading Hong Kong people

to leave the colony, awarding Hong Kong citizens the real British passports of their birthright would do just the opposite: it would give them the courage to stay and fight for a free future. It would also give Beijing the incentive to turn now empty promises of democracy and autonomy into reality.



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